



## DCMA Manual 2201-01 Forward Pricing Rates

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| <b>Office of Primary Responsibility</b> | Negotiation Intelligence and Cost Evaluation Capability Board   |
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| <b>Approved by:</b>                     | Gregory L. Masiello, LtGen, USMC, Director  |

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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64:

- Implements policy established in DCMA Instruction 2201, "Indirect Cost Control"
- Provides and defines procedures and responsibilities for developing and monitoring forward pricing rate agreements and forward pricing rate recommendations
- Prescribes procedures and assigns responsibilities for establishing a formal cost monitoring program
- Prescribes procedures and assigns responsibilities for performing technical support to indirect costs activities
- Prescribes procedures and assigns responsibilities for performing contractor insurance/pension reviews

## TABLE OF CONTENTS

|  |    |
|--|----|
| <b>SECTION 1: GENERAL ISSUANCE INFORMATION</b> .....   | 4  |
| 1.1. Applicability.....  | 4  |
| 1.2. Policy.....   | 4  |
| 1.3. Summary of Changes.....   | 5  |
| <b>SECTION 2: RESPONSIBILITIES</b> .....   | 6  |
| 2.1. Executive Director, Cost and Pricing Regional Command (CPRC).....   | 6  |
| 2.2. Director of DCMA Special Programs (DCMAS) Cost and Pricing, CPRC Corporate<br>Administrative Contracting Officer (CACO)/Divisional Administrative Contracting<br>Officer (DACO) Division Director ..... | 6  |
| 2.3. Contracts Director, Region .....  | 6  |
| 2.4. Contracts Director, CMO.....  | 7  |
| 2.5. CPRC CACO/DACO Division Team Supervisor, DCMAS DACO Supervisor .....  | 7  |
| 2.6. Director, Technical Directorate, Engineering Division.....  | 8  |
| 2.7. Engineering and Manufacturing Group Chief, Pricing Group Director .....   | 8  |
| 2.8. Technical Supervisor/Lead .....   | 9  |
| 2.9. TSI Coordinator .....   | 9  |
| 2.10. CIPR Team Supervisor .....   | 9  |
| 2.11. Technical Specialist .....   | 9  |
| 2.12. Functional Specialist.....   | 9  |
| 2.13. Cognizant Federal Agency Official (CFAO), ACO, DACO, CACO .....  | 10 |
| 2.14. ACO First Line Supervisor .....  | 11 |
| 2.15. CMS First Line Supervisor .....  | 11 |
| 2.16. CMS .....  | 11 |
| <b>SECTION 3: FPR</b> .....  | 12 |
| 3.1. Determine to Establish an FPRR or FPRA.....   | 12 |
| 3.2. Obtain Contractor’s FPRP and Review for Adequacy.....   | 13 |
| 3.3. Conduct FPRP Analysis .....   | 14 |
| 3.4. Establish FPRR .....  | 16 |
| 3.5. Negotiate FPRA .....  | 19 |
| 3.6. Continuous FPRA .....   | 21 |
| 3.7. Distribute FPRR or FPRA .....   | 21 |
| 3.8. Monitor FPRR or FPRA .....  | 22 |
| 3.9. Modifying Existing FPRR or FPRA.....  | 23 |
| <b>SECTION 4: CM</b> .....   | 25 |
| 4.1. Determine Whether an FCMP is Required.....  | 25 |
| 4.2. Prepare CM Plan .....   | 28 |
| 4.3. Conduct CM Activities .....   | 31 |
| 4.4. Prepare CM Report .....   | 32 |
| <b>SECTION 5: TSI</b> .....  | 34 |
| 5.1. TSI Requests .....  | 34 |
| 5.2. Receive and Coordinate TSI Request.....   | 34 |
| 5.3. Review TSI Request .....  | 35 |

5.4. Perform TSI Analysis ..... 37

5.5. Prepare TSI Report ..... 40

5.6. Provide Negotiation Support ..... 42

5.7. Complete TSI Support ..... 43

5.8. Records Management ..... 43

5.9. Corrective Action Requests ..... 43

**SECTION 6: CIPR ..... 44**

6.1. Determine the Need for a CIPR..... 44

6.2. Request and Plan a CIPR..... 45

6.3. Disposition CIPR Findings ..... 46

6.4. Records Management ..... 46

**SECTION 7: RETENTION OF RECORDS ..... 47**

7.1. Requirement to Establish Files ..... 47

7.2. Records Management System..... 47

7.3. Protecting Classified Information and CUI ..... 47

**GLOSSARY..... 49**

G.1. Acronyms ..... 49

G.2. Definitions..... 51

**REFERENCES..... 53**

## SECTION 1: GENERAL ISSUANCE INFORMATION

### 1.1. APPLICABILITY.

This issuance applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence.

### 1.2. POLICY.

It is DCMA policy to support Procuring Activities in negotiating fair and reasonable prices through Forward Pricing Rate Recommendations (FPRRs) and Forward Pricing Rate Agreements (FPRAs).

#### a. Forward Pricing Rates (FPR).

A Forward Pricing Rate Proposal (FPRP) is submitted to the Government by contractors for its rates over a period of time for use in its proposals. The Government has the responsibility to perform timely reviews of contractor FPRPs in order to establish the Government's negotiation position and to negotiate the FPRs to support fair and reasonable contract prices.

#### b. Cost Monitoring (CM).

(1) Effective management of contract costs is essential to the efficient and economical performance of Government contracts. Contractors are responsible for managing and controlling its direct and indirect costs; however, DCMA must systematically monitor the management of contractors' costs to ensure these responsibilities are met in accordance with (IAW) Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance, and Information (PGI) 242.302(a)(S-75)(b).

(2) DCMA will establish a Formal Cost Monitoring Plan (FCMP) for all contractors whose sales to the Government, during the contractor's next Contractor Fiscal Year (CFY), are expected to exceed \$200 million based on costs incurred or negotiated based on projected costs as outlined at DFARS PGI 242.302(a)(S-75)(c)(1)(i)(A), unless a waiver has been granted.

#### c. Technical Support to Indirect Costs (TSI).

Provide quality and timely technical assessments to support FPR and CM efforts. The assessments include recommendations to help determine and obtain fair and reasonable FPRs and provide insight in monitoring contractor's costs. TSI represents on-demand activities which are performed on a required or as needed basis.

#### d. Contractor Insurance/Pension Review (CIPR).

IAW DFARS 242.7301, as the DoD Executive Agent for the performance of all CIPRs, determine the allowability of insurance and pension costs in Government contracts and the need for a CIPR. Administrative contracting officers (ACOs) must follow the requirements of Subpart

242.73 of the DFARS, “Contractor Insurance/Pension Review,” and DFARS PGI 242.73, “Contractor Insurance/Pension Review,” when requesting a CIPR.

**e. Safety.**

Execute this Manual in a safe, efficient, effective, and ethical manner within DCMA workspaces.

**1.3. SUMMARY OF CHANGES.**

This Manual has been significantly changed. Users must review this issuance in its entirety. Significant changes include:

- Revised the process for the establishment of an FCMP (See Paragraph 4.1.)
- Separated the determination to establish an FPRR or FPRA from the determination to establish an FCMP
- Added criteria to be considered when an ACO determines whether to pursue negotiations of an FPRA (See Paragraph 3.4.c.)
- Changed the frequency of CM reports from quarterly to semi-annually
- Added the Continuous FPRA process (See Paragraph 3.6.)
- Removed the requirement to issue an FPRR within 30 days of receipt of the FPRP
- Removed the requirement to negotiate rates within 60 days of receipt of the FPRP
- Removed the requirement to issue an updated FPRR within five days of receipt of an audit
- Modified guidance on reviewing Independent Research and Development (IR&D) costs
- Adjusted language throughout the manual to accommodate pricing team structure

## **SECTION 2: RESPONSIBILITIES**

### **2.1. EXECUTIVE DIRECTOR, COST AND PRICING REGIONAL COMMAND (CPRC).**

The Executive Director, CPRC, will resolve issues and adjudicate appeals related to the decision to establish an FCMP for a Contract Management Office (CMO) location.

### **2.2. DIRECTOR OF DCMA SPECIAL PROGRAMS (DCMAS) COST AND PRICING, CPRC CORPORATE ADMINISTRATIVE CONTRACTING OFFICER (CACO)/DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER (DACO) DIVISION DIRECTOR.**

The Director of DCMAS Cost and Pricing and CPRC CACO/DACO Division Director will:

- a. Act as the designated head of the Contract Administration Office (CAO) for the purposes of determining if an FCMP should be established.
- b. Approve or disapprove requests to establish an FCMP for a contractor that does not meet the criteria for an FCMP but where a business need (e.g., significant pricing activity) justifies the establishment of an FCMP.
- c. Approve or disapprove requests for an FCMP waiver for a contractor that meets the criteria for an FCMP, but an alternate course of action is justified (e.g., where the rates for a business unit are negotiated at another site).
- d. Provide functional support resources to the Cost Monitoring Specialist (CMS) in support of an FCMP as specified in Paragraph 4.2. of this Manual.

### **2.3. CONTRACTS DIRECTOR, REGION.**

The Region Contracts Director will:

- a. Approve or disapprove business case requests to establish FPRR or FPRA for a contractor that does not meet the criteria identified in Paragraph 3.1., but the ACO has determined that FPRR or FPRA is in the Government's interest.
- b. Approve or disapprove waiver requests to not establish FPRR for a contractor that meets the criteria identified in Paragraph 3.1., since the ACO has determined that FPRR or FPRA is not in the Government's interest.
- c. Concur or non-concur with requests to establish an FCMP for a contractor that meets the criteria in DFARS PGI 242.302(a)(S-75) and will request resources from the CPRC.
- d. Concur or non-concur with waiver requests to not establish an FCMP for a contractor that meets the threshold in DFARS PGI 242.302(a)(S-75) and will request waiver from the CPRC.

## **2.4. CONTRACTS DIRECTOR, CMO.**

The CMO Contracts Director will:

- a. Concur or non-concur with business case requests to establish FPRR or FPRA for a contractor that does not meet the criteria identified in Paragraph 3.1., but the ACO has determined that FPRR or FPRA is in the Government's interest.
- b. Concur or non-concur with waiver requests to not establish FPRR for a contractor that meets the criteria identified in Paragraph 3.1., since the ACO has determined that FPRR or FPRA is not in the Government's interest.
- c. Concur or non-concur with requests to establish an FCMP for a contractor that meets the criteria in DFARS PGI 242.302(a)(S-75).
- d. Concur or non-concur with waiver requests to not establish an FCMP for a contractor that meets the threshold in DFARS PGI 242.302(a)(S-75).
- e. Prepare the business case for the request of FCMP resources from the CPRC.
- f. Ensure that the Board of Review (BoR) is properly requested when required.

## **2.5. CPRC CACO/DACO DIVISION TEAM SUPERVISOR, DCMAS DACO SUPERVISOR.**

The CPRC CACO/DACO Division Team Supervisor and DCMAS DACO Supervisor will:

- a. Approve or disapprove business case requests to establish FPRR or FPRA for a contractor that does not meet the criteria identified in Paragraph 3.1., but the CACO/DACO has determined that FPRR or FPRA is in the Government's interest.
- b. Approve or disapprove waiver requests to not establish FPRR for a contractor that meets the criteria identified in Paragraph 3.1., since the CACO/DACO has determined that FPRR or FPRA is not in the Government's interest.
- c. Review and provide written concurrence or non-concurrence by signing decisional memorandums.
- d. Ensure that the BoR is properly requested when required.
- e. Ensure Defense Contract Audit Agency (DCAA) audit reports and Host Nation audit reports provided in support of a CIPR report are properly resolved and dispositioned.
- f. Ensure the CACO/DACO provides disposition memorandums to DCAA and all contributing functional specialists upon completion.

- g. Concur or non-concur with requests to establish an FCMP for a contractor that meets the criteria in DFARS PGI 242.302(a)(S-75).
- h. Concur or non-concur with waiver requests to not establish an FCMP for a contractor that meets the threshold in DFARS PGI 242.302(a)(S-75).
- i. Review and concur or non-concur with the FPR Pre-Negotiation Objectives Memorandum (PNOM), Price Negotiation Memorandum (PNM), Memorandum for Record (MFR).
- j. Ensure that a plan of action is developed for an FPRP that does not result in an FPRR within 60 days of FPRP receipt.
- k. Review and approve CM Plan and annual CM Report

## **2.6. DIRECTOR, TECHNICAL DIRECTORATE, ENGINEERING DIVISION.**

The Director, Technical Directorate, Engineering Division, will:

- a. Serve as the agency's central point of contact and advocate for all Technical Pricing Support policy, training, and tools.
- b. Provide resources in developing and monitoring policy implementation and identifying and developing training requirements.
- c. Identify and develop the tools necessary to conduct the DCMA Technical Pricing Support function.

## **2.7. ENGINEERING AND MANUFACTURING GROUP CHIEF, PRICING GROUP DIRECTOR.**

The Engineering and Manufacturing Group Chief and Pricing Group Director will:

- a. Manage resources (e.g., technical personnel and workload) to meet TSI taskings.
- b. Maintain visibility of TSI requests and trends.
- c. Designate a TSI coordinator. CMO with no TSI activity may choose to not assign a TSI coordinator.
- d. Enable the CMO and Pricing Group to work closely with customers and DCAA as a cohesive government team to analyze costs while minimizing workload redundancy.



## **2.8. TECHNICAL SUPERVISOR/LEAD.**

The Technical Supervisor or Lead will:

- a. Manage the workload of the technical specialists.
- b. Assign technical specialists to TSI efforts.
- c. Review and approve technical reports and supporting documentation prior to release to requestor.

## **2.9. TSI COORDINATOR.**

The TSI Coordinator is the focal point for receiving and managing TSI requests. The TSI Coordinator will:

- a. Perform initial review of request.
- b. Confirm receipt of request, as appropriate.
- c. Track the progress of the request.

## **2.10. CIPR TEAM SUPERVISOR.**

The Supervisor of the CIPR Team will:

- a. Establish a schedule to support the FPRR or FPRA and CM.
- b. Direct any 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.
- c. Review and approve reports prior to issuance of report by the CIPR Team to an ACO or external customer.

## **2.11. TECHNICAL SPECIALIST.**

The technical specialist will perform indirect cost control reviews in relation to TSI as described in this Manual. A technical specialist may be an engineer, software, industrial specialist, or quality assurance representative.

## **2.12. FUNCTIONAL SPECIALIST.**

The functional specialist will support indirect cost reviews in relation to Forward Pricing activities and other reviews as needed (e.g., CM, TSI review, CIPR, Overhead Should Cost

Review, etc.). A functional specialist may be a cost monitor, price cost analyst, other CMO/Team support (i.e., technical specialist), major customers, DCAA auditors, etc.

### **2.13. COGNIZANT FEDERAL AGENCY OFFICIAL (CFAO), ACO, DACO, CACO.**

The CFAO within DCMA is the ACO/DACO/CACO, hereinafter referred to as ACO. The ACO will:

- a. Determine the need for FPRR or FPRA and perform the responsibilities as outlined in Federal Acquisition Regulation (FAR) 42.1701 and in Section 3 of this Manual.
- b. Determine the need for an FCMP as outlined in DFARS PGI 242.302(a)(S-75) and Paragraph 4.1. of this Manual.
- c. Evaluate FPRP with the assistance of DCAA, CMs, program office, and other functional/technical specialists as needed.
- d. Develop Government recommended positions.
- e. Prepare FPRR.
- f. Determine if an FPRA will be pursued.
- g. Negotiate FPRA, if pursued.
- h. Document FPRR or FPRA and ensure documents are stored in the Agency System of Record and Contract Business Analysis Repository (CBAR) as appropriate.
- i. Distribute disposition memorandums to DCAA and all contributing functional specialists upon completion.
- j. Coordinate with the CMS supervisors to ensure completion of CMS duties as referenced in DFARS PGI 242.302(a)(s-75)(c)(2)(ii)(A-D) and review and submit all reports and plans IAW Section 4 of this Manual.
- k. Provide customers with FPRs or the best available information to assist with developing rate positions for negotiations.
- l. Identify impacts to Business Systems and/or Cost Accounting Standards (CAS) from issues identified during the FPR and CM process.

#### **2.14. ACO FIRST LINE SUPERVISOR.**

The ACO First Line Supervisor will:

- a. Review and concur or non-concur with business case requests to establish an FPRR or FPRA for a contractor that does not meet the criteria identified in Paragraph 3.1., when the ACO has determined that establishing an FPRR or FPRA is in the Government's interest.
- b. Review and concur or non-concur with waiver requests to not establish an FPRR for a contractor that meets the criteria identified in Paragraph 3.1., when the ACO has determined that establishing an FPRR or FPRA is not in the Government's interest.
- c. Concur or non-concur with requests to establish an FCMP for a contractor that meets the criteria in DFARS PGI 242.302(a)(S-75).
- d. Concur or non-concur with waiver requests to not establish an FCMP for a contractor that meets the threshold in DFARS PGI 242.302(a)(S-75).
- e. Review and concur or non-concur with the FPR PNOM/PNM/MFR

#### **2.15. CMS FIRST LINE SUPERVISOR.**

The CMS First Line Supervisor will:

- a. Review and concur or non-concur with the annual CM Plan.
- b. Review and concur or non-concur with the annual CM Report.
- c. Review and approve semi-annual CM Report
- d. Ensure the CM activities are executed as planned.

#### **2.16. CMS.**

DCMA's CMSs reside in the CPRC CACO/DACO Division or in the DCMAS Cost and Pricing Division. The CMS will:

- a. Assist the ACO with the analysis of the contractor's proposal and monitor actual performance of rates and factors as outlined in Section 3 of this Manual.
- b. Perform an array of CM activities to include the development of the annual CM Plan including the risk assessment, ensure progress toward completion of the CM Plan, and prepare the semi-annual and annual CM Reports as outlined in Section 4 of this Manual to support FPRs.

## SECTION 3: FPR

### 3.1. DETERMINE TO ESTABLISH AN FPRR OR FPRA.

a. The ACO must establish an FPRR or FPRA for contractors whose sales to the Government, during the contractor's next CFY, are expected to exceed \$200 million, unless a waiver is approved. The ACO may determine whether an FPRR or FPRA will be established for contractors that do not meet the threshold of \$200 million expected Government sales in the next CFY when there is a significant volume of negotiations, customer demand, risk, or other justification where the benefits to be derived from an FPRR or FPRA are commensurate with the time and effort to establish and track an FPRR or FPRA IAW FAR 42.1701(a).

(1) The ACO will assess the risk to the Government to determine whether the benefits to establish an FPRR or FPRA are commensurate with the time and effort to establish and track an FPRR or FPRA IAW FAR 42.1701(a). The Risk Assessment will include assessment of sales volume and document if an FPRR should or should not be established. The Risk Assessment should consider the current and future volume of proposals and negotiations, contract type mix, customer demand, and any other known factors.

(2) The ACO will perform an assessment of contractor sales volume in the next CFY. Sales to the Government during the next CFY are determined by the ACO IAW DFARS PGI 242.302(a)(s-75)(c)(1)(i)(A). The ACO should include sales performed by the contractor for:

- (a) DoD Prime contracts
- (b) Non-DoD Federal Government contracts
- (c) DoD subcontracts
- (d) Foreign Military Sales for Prime contracts and subcontracts

(3) An ACO may establish an FPRR or FPRA without an FCMP.

(4) The determination will be performed at the following times:

(a) For contractor without an existing FPRR or FPRA:

1. For contractor submitting an initial FPRP, the ACO will determine the need for an FPRR or FPRA upon receipt of the FPRP.

2. For contractor not submitting an initial FPRP, the ACO may evaluate the risk and determine that an FPRR or FPRA would be in the best interest of the Government. If an ACO determines that an FPRR or FPRA should be established, the ACO may initiate the FPR process IAW FAR 42.1701.

(b) For contractor with an existing FPRR or FPRA, the assessment is a continuous process, and the ACO should re-evaluate periodically, or upon receipt of an FPRP.

b. The ACO can request a waiver to establish an FPRR for contractors whose sales to the Government, during the contractor's next CFY, are expected to exceed \$200 million.

(1) If the ACO determines, based on risk, that an FPRR or FPRA is not necessary, the ACO will submit an FPRR waiver through their chain of command, with concurrence by the ACO's first line supervisor and CMO contracts director (when applicable).

(2) The FPRR waiver must be approved/disapproved by the region contracts director, a CACO/DACO Division team supervisor, or a DCMAS DACO supervisor.

c. If the ACO determines to establish an FPRR or FPRA, for contractors that do not meet the threshold of \$200 million expected Government sales in the next CFY, the ACO will submit a business case using the template on the Resource Page. The business case will be submitted through the chain of command with concurrence by the ACO's first line supervisor and CMO contracts director (when applicable). The business case must be approved by the region contracts director, a CACO/DACO Division team supervisor, or a DCMAS DACO supervisor.

d. The ACO will document the Risk Assessment, determination of whether an FPRR should be established, and any waiver documentation or business case, per the Records File Plan located on the Resource Page.

e. When an FPRR or FPRA is not available, or establishment of an FPRR or FPRA is not required, the ACO will provide customers with the best information available at the time to assist the customers in developing a rate position for negotiation. Such information may include the status of the contractor's business systems, rate recommendations from a proposal analysis, or any other experience that would benefit the customer.

### **3.2. OBTAIN CONTRACTOR'S FPRP AND REVIEW FOR ADEQUACY.**

a. The ACO will obtain the contractor's FPRP and require that it include cost or pricing data that are accurate, complete, and current as of the date of submission, per FAR 42.1701(b).

b. The ACO must determine whether data supporting the FPRP is submitted in a form acceptable to the ACO IAW FAR 15.403-5(b)(3). To ensure the proposal is complete, the ACO must request that the contractor complete the Contractor Forward Pricing Rate Proposal Adequacy Checklist and submit it with the FPRP IAW DFARS 215.403-5. The ACO will verify the accuracy of the information on the contractor's checklist to determine if the proposal is adequate and will annotate the adequacy checklist for each section. The checklist will be retained as part of the official file.

c. If the ACO determines that the contractor's proposal is so inadequate as to preclude a review, the ACO must return the FPRP to the contractor and request the contractor submit an adequate FPRP. The request must identify the nature of the inadequacy to enable the contractor

to respond appropriately to the request. The ACO should consider whether the inadequacy in the submitted FPRP indicates a deficiency in the contractor's business systems, more commonly the estimating system. Where applicable, the ACO must document the actions taken to obtain adequate cost or pricing data IAW FAR 15.404-2(d) and FAR 15.404-1(c)(2)(v).

### **3.3. CONDUCT FPRP ANALYSIS.**

a. The objective of the analysis is to ensure that the FPRR or FPRA is fair and reasonable IAW FAR 15.404-1(a).

b. The ACO must use cost analysis to evaluate the reasonableness of individual cost elements when certified cost or pricing data are required IAW FAR 15.404-1(a)(3). The ACO must use cost and/or price analysis to evaluate the reasonableness of the FPRP when certified cost or pricing data are not required IAW FAR 15.404-1(a)(2)-(4). Cost analysis is the review and evaluation of any of the separate cost elements and profit or fee in a contractor's proposal to determine a fair and reasonable price or to determine cost realism. Cost analysis includes 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 IAW FAR 15.404-1(c)(1).

(1) The method(s) of cost analysis that may be used by the ACO is(are) included in the Contract Pricing Reference Guides. A link to the guides can be found on the Resource Page.

(2) The scope and depth of the analysis should be directly related to the dollar value, importance, and complexity of the contractor's overall rates and individual elements of cost.

c. The ACO will determine the need for audit and/or functional/technical reviews based on risk and expected benefit/savings (See Sections 4, 5, and 6 of this Manual for additional reference). While awaiting the results of an audit or functional/technical review, the ACO must be mindful of any breaks in coverage by an existing FPRR or FPRA. The ACO must continue to analyze and establish an FPRR to ensure the Government position is available for fair and reasonable rates.

(1) DCAA Audit.

(a) The ACO or delegated individual should request an audit of the FPRP, when the ACO determines the support by DCAA is necessary for negotiation. The ACO must tailor the audit request to reflect the minimum essential supplementary information needed to conduct a cost or price analysis IAW FAR 15.404-2(a)(1).

(b) When the ACO requests an audit on individual expense accounts of the FPRP, the ACO should communicate with DCAA about risk factors and concerns with the requested expense accounts and how these concerns fit into the overall coordinated plan to achieve the Government objective on FPR. DCAA, however, may conclude that performing procedures designed to address the risks on an individual expense account are not sufficient to support an audit opinion on the contractor's assertion in the FPRP. In this instance, the ACO should discuss non-audit procedures that DCAA can provide as a means of seeking assistance without

employing formal audit procedures. If DCAA self-initiates a full scope audit of the FPRP (not an audit of individual accounts) to support a significant price proposal effort, or to address significant risks with the FPRP, the ACO must request DCAA prioritize the work for the areas of specified risk and to communicate the result of work before release of the audit report. This will ensure that the ACO has the information essential in developing the Government objective and preparing for negotiations.

(c) If the ACO determines that a DCAA audit is not necessary, the ACO will document the decision in the PNOM or MFR.

(2) Functional/Technical Review.

(a) The ACO or delegated individual may request a functional/technical review when subject matter expertise is expected to be beneficial to the development of FPR. The following are examples of functional reviews that might be used:

1. Engineering TSI
2. CIPR
3. Overhead Should Cost Reviews
4. Industrial specialist reviews
5. Legal reviews

(b) The ACO or delegated individual may request a functional/technical review upon receipt of an FPRP or at any time where there is an impact to an existing FPRR or FPRA. The ACO must tailor the request to reflect the minimum essential supplementary information needed to conduct a technical or cost or pricing analysis IAW FAR 15.404-2(a)(1).

(3) Program Office Support.

Consultation with program offices may be needed to obtain input on program issues, such as current status of contract awards, long-term budget/program forecasts, or expected work schedules to which the contractor may not be privy. The ACO should consult with program offices to validate the accuracy and completeness of the contractor's proposed business base. The ACO will review sales data and consider how Long- Range Plan/Contractor Sales forecasts impact the indirect rate bases when recommending/negotiating FPRs.

(4) International Audit Support.

Agencies performing audits of FPRPs by contractors outside the United States must adhere to audit practices established by their respective Host Nation Agreements with the U.S. Government and/or locally established practices. In those instances where practices are different

from requirements set forth in this Manual, the ACO must document the FPRR or FPRA file accordingly.

d. Upon receipt of a report from an audit and/or other functional/technical reviews, the ACO must review the report and determine whether the current FPRR or FPRA requires revision and continue to work toward negotiating an FPRA, if appropriate.

(1) If the ACO agrees with the findings in the audit/report, the ACO can issue an updated FPRR with a MFR rather than with a PNOM. The ACO must address the findings from the requested audit/support, questioned costs, unsupported costs, and unresolved costs in either the PNOM or MFR.

(2) If the ACO does not agree or partially agrees with the findings in the audit/report and decides to deviate from the audit/report position, the ACO will discuss these differences and rationale with the DCAA auditor or functional specialist to obtain mutual understanding on the identified issues.

(a) If mutual understanding is reached, the ACO will address the findings from the requested audit/support, questioned costs, unsupported costs, and unresolved costs in the appropriate memorandum.

(b) If mutual understanding cannot be reached, the ACO will elevate the issue through the chain of command to achieve resolution. The ACO will document the results and conclusions of this management review process in the appropriate memorandum.

(c) If the disagreement involves a DCAA audit, and DCAA's management requests an elevation for disagreement, the ACO will initiate the BoR process as per DCMA Manual (DCMA-MAN) 2201-05, "Boards of Review." The ACO will document the results and conclusions of the BoR process in the PNOM and/or PNM, or in a MFR for the contract file.

e. The ACO will use the results of the analysis to develop a Government recommended position on the FPRP that permits the Contracting Officer and the offeror an opportunity to reach agreement on a fair and reasonable price. The ACO will invite the cognizant auditor and contracting offices having a significant interest to participate in developing a Government objective per FAR 42.1701(b). The ACO will document this in the FPRR MFR or PNOM.

### **3.4. ESTABLISH FPRR.**

a. Once the ACO has prepared a Government recommended position, the ACO must document the position in a PNOM or FPRR MFR and should establish an FPRR.

b. The ACO should establish an FPRR as soon as possible to minimize breaks in Government positioned rate coverage. An FPRR can be established without a DCAA audit report, when DCAA cannot meet the ACO's requested due date, a DCAA audit report is otherwise not available, or a DCAA audit is not requested due to DCMA's in-house capabilities and risk assessment. ACOs are reminded that:



(1) The ACO should issue an updated FPRR as soon as possible given the risk and level of documentation necessary. Issuing multiple, updated FPRRs is reasonable as the detailed analysis evolves.

(2) Should a break in rate coverage occur, the ACO should be aware of significant pricing evaluations and negotiations to ensure continuous communication and rate support to those external and internal customers. The ACO should work closely with impacted stakeholders to mitigate Government risk and reduce delays with issuing Government recommended rates.

(3) If the ACO does not establish an updated FPRR that incorporates a risk-based, detailed analysis of the FPRP submission within 60 days of FPRP receipt, the ACO should develop a plan of action with the first line supervisor to ensure an updated FPRR is issued as soon as possible.

c. The ACO must determine if it is in the Government's interest to pursue an FPRA. While an FPRA is preferred over an FPRR, the ACO should consider whether the benefits to be derived from the agreement are commensurate with the effort of establishing and monitoring it.

(1) The ACO should consider:

(a) The potential impact to procuring contracting officer (PCO) if an FPRA is not established.

(b) The difference in the Government negotiation position compared to the proposed rates in the FPRP.

(c) The amount of time that would be required to complete a negotiation and issue the FPRA.

(d) The amount of time that a potential FPRA would be in effect, when considering the contractor's routine schedule of FPRP updates and length of time required to analyze the FPRP.

(e) The contractor's willingness to negotiate.

(f) External factors that would limit the usefulness of the FPRA, such as external restructurings, mergers & acquisitions, or internal restructuring.

(2) The ACO may also consider the use of an FPRA with expressly defined limitations. (See Paragraph 3.5.d.)

d. The ACO will document their recommendations and result of the analysis in the PNOM or FPRR MFR, using the appropriate template from the Resource Page. The template(s) can be modified as necessary depending on the risks specific to each FPR situation. If the ACO

modifies the template, or if any sections of the template(s) are considered not applicable, the ACO should document the modification with an explanation.

(1) If the ACO has determined that an FPRA will be pursued, the ACO will prepare a PNOM IAW FAR 15.406-1(b) using the template on the Resource Page.

(2) If the ACO has determined that an FPRA will not be pursued, the ACO will prepare an FPRR MFR using the template on the Resource Page. The ACO will document the decision and rationale to not pursue negotiation in the FPRR MFR.

(3) The PNOM or FPRR MFR must include, but is not limited to, the following documentation as appropriate:

(a) An affirmative statement that the ACO agreed or disagreed with the DCAA audit report or other functional/technical specialist report, if applicable. (See Paragraph 3.3.)

(b) Rationale to support the ACO's recommended/negotiation positions.

1. ACO must document their analysis to show that the Government recommended rates are well supported.

2. The rationale must demonstrate that the ACO has considered all appropriate FAR, DFARS requirements, and interpretive guidance in DCMA instructions and manuals.

3. This level of documentation is required even when the ACO agrees with the contractor's proposed rates.

4. The level of documentation must not be reduced if requested DCAA audit or functional assistance has not been received.

5. If the ACO does not agree with the DCAA or functional/technical specialist report, the ACO must document the rationale for the disagreement.

e. The ACO will document the changes in rates over time in the case file and ensure that the historical information is available in CBAR. The ACO may use the historical rate template available on the Resource Page, a locally developed version, or other methods to ensure that the historical information is available for PCOs to access.

f. The ACO will request review and concurrence of the PNOM/FPRR MFR by the first line supervisor. The first line supervisor will review and concur with the FPRR MFR prior to issuance and if needed follow the approval requirements IAW DCMA-MAN 2201-05. The PNOM must follow the approval requirements IAW DCMA-MAN 2201-05. The ACO and reviewing officials should consider the use of the FPRR/FPRA Review Checklist, linked in the Resource Page, to confirm whether the ACO conducted the necessary review processes and documented all processes. During the PNOM BoR, the PNM BoR may be waived.

g. If the ACO has determined that negotiations are in the best interest of the Government and pursues an FPRA, the ACO will follow the procedures in Paragraph 3.5. to pursue negotiations for an FPRA.

h. If the ACO has determined that negotiations are not in the Government's best interest, the ACO will follow the procedures in Paragraph 3.7. to distribute the FPRR.

### **3.5. NEGOTIATE FPRA.**

a. Once an ACO has established the Government negotiation position, issued an FPRR, and determined that negotiations for the establishment of an FPRA is in the best interest of the Government, the ACO should attempt to negotiate fair and reasonable rates as soon as possible.

b. The ACO will invite the cognizant auditor and contracting offices having a significant interest to participate in the negotiations per FAR 42.1701(b). The ACO will document this in the PNOM.

c. When negotiating rates, the ACO must negotiate specific terms and conditions covering expiration, application, and data submission requirements to facilitate monitoring validity of the rates.

d. If a complete FPRA is not achievable, the ACO may consider the use of an FPRA with expressly defined limitations (see FPRA template located on the Resource Page). The limited FPRA is an FPRA that may apply to specific FPRs or certain pricing actions under a certain dollar limit or to certain types of acquisitions, such as spare parts procurement, over and above pricing actions, or overhaul and repair. The limited FPRA should be suggested by the ACO for high volume, low dollar negotiations where extended discussion of rate differences is not practical or cost effective. The limits of tailoring an FPRA could include, but are not limited to:

(1) Specific rates (e.g., Direct Labor rates only, all indirect rates except for general and administrative, etc.).

(2) Length of time (e.g., all negotiations with performance in calendar years 20XX through 20XX).

(3) Dollar value of the negotiation (e.g., negotiations less than \$500,000).

(4) Types of acquisitions (e.g., spare and repair parts, over and above pricing actions, or overhaul and repair).

e. If FPRA negotiations are unsuccessful, the ACO will document the results in the working papers. The ACO will provide the FPRR to assist PCOs. The FPRR can be used for billing rates as well and the ACO must include mention of this in an MFR.

f. If FPRA negotiations are successful, the ACO must:

(1) Prepare a PNM IAW FAR 15.406-3 using the PNM template on the Resource Page. The template can be modified as necessary to ensure the ACO position is adequately documented. Any sections of the template that are considered not applicable should be documented accordingly with explanation. The PNM must also:

(a) Address whether the ACO sustained the positions by cost element as identified in the PNOM. For any pre-negotiation positions the ACO does not sustain, the ACO must support the positions with rationale based on additional information that became available during negotiations.

(b) State which cost and pricing data provided by the contractor were relied upon in reaching settlement. A certificate of current cost and pricing data is not required for FPRs at the time of negotiation IAW FAR 15.407-3(c).

(2) Obtain a BoR IAW DCMA-MAN 2201-05, or pursue a waiver for PNM review, unless the PNM BoR was waived during the PNOM BoR process.

(3) Establish an FPRA IAW FAR 42.1701 using the FPRA template located on the Resource Page.

(4) Distribute the FPRA using the procedures in Paragraph 3.7.

g. The ACO will include in the FPRA, whether full or limited, the following:

(1) The agreed upon FPRs

(2) Bases to which the rates apply

(3) Specific terms and conditions covering the effective date and expiration date of the FPRA, notification requirements, application, and submission of data requirements to facilitate monitoring to ensure the validity of the rates IAW FAR 42.1701

(4) Defined limits of the FPRs applicability if they are only agreed to be used for specific types of acquisitions (e.g., spare parts pricing cases under a certain dollar amount)

(5) A requirement for the contractor to provide immediate notification of changes to projected sales forecasts and other business conditions that affect the base assumptions used to establish the FPRA in the out-years.

(6) Other reports the contractor will be required to provide the ACO to permit adequate rate monitoring.

(7) The frequency of the contractor's required reporting and analysis IAW FAR 42.1701.

(8) A requirement for the contractor to compare its actual rates with the FPRA and immediately inform the ACO of any significant change in cost or pricing data used to support the FPRA IAW FAR 42.1701.

(9) A cancellation provision at the option of either party.

h. If the contractor notifies the ACO of a condition that would necessitate the invalidation of the FPRA, the contractor should submit a new proposal to reflect the changed conditions. If an FPRA has not been established or has been invalidated, the ACO will issue an FPRR to buying activities with documentation to assist negotiators. In the absence of an FPRA or an approved FPRR, the ACO will include support for rates utilized IAW FAR 42.1701(d).

i. The ACO and contractor may negotiate continuous updates to the FPRA using the authority in FAR 42.1701(e). See Paragraph 3.6. for information on a continuous FPRA. If the ACO negotiates a continuous FPRA, the ACO may follow Paragraph 3.6. for follow on years, in lieu of Paragraphs 3.3., 3.4. and 3.5.

### **3.6. CONTINUOUS FPRA**

a. The continuous FPRA process authorized by FAR 42.1701(e) allows the Government and the contractor to negotiate continuous updates to the FPRA. The FPRA will include specific terms and conditions covering notification, application, and data requirements for systemic rate monitoring to ensure the validity of the FPRA.

b. If the ACO receives information that would impact the FPRA, the ACO must reevaluate the FPRA following the steps in Paragraph 3.9. to maintain the FPRA or abrogate the FPRA and pursue an updated FPRR or FPRA.

c. The ACO should reassess the risk annually using the process in Paragraph 3.1. to determine if any conditions have changed that would necessitate the ACO to reconsider the decision to maintain a continuous FPRA.

### **3.7. DISTRIBUTE FPRR OR FPRA.**

a. The ACO must distribute a copy of the signed FPRA to the contractor. FPRR will be provided to the contractor unless the contracting officer has documented the reason why release is not in the Government's best interest.

b. The ACO must distribute signed copies of the FPRA with PNM to the cognizant DCAA auditor and all contracting offices that are known to be affected by the FPRA rates IAW FAR 42.1701(b).

c. The ACO must enter required data into CBAR and upload a copy of the current FPRR or FPRA into CBAR. The ACO should upload historical pool/base/rate information. The ACO may use the historical rate template available on the Resource Page, a locally developed version, or other methods to ensure that the historical information is available for PCOs to access.

d. DFARS 215.407-3 requires that DoD customers will use the FPRA unless waived on a case-by-case basis by the head of the customer's contracting activity. In these situations, the PCO should advise the ACO of the waiver. The ACO should store the waiver in the workpapers and notify the CMS for use in CM Planning.

e. Pursuant to FAR 42.704(b), the contracting officer (or CFAO) or auditor establishes billing rates. The rates should be as close as possible to the final indirect cost rates anticipated for the contractor's fiscal period costs. Once FPRs are established, the ACO will identify if the billing rates should be adjusted based on the FPRs. If the ACO identifies that the rates should be modified:

(1) The ACO will attempt to obtain a mutual agreement with the contractor for the revised billing rates IAW FAR 42.704(c), to prevent substantial overpayment or underpayment.

(2) If the contractor does not agree with the ACO's proposed rates, or when agreement cannot be reached, the ACO will unilaterally determine the billing rates.

f. The ACO must ensure that rate documents are properly marked with contractor proprietary markings and identified as Controlled Unclassified Information (CUI) as appropriate. See Paragraph 7.3. for more details.

g. The ACO must name the files and use the appropriate document metadata to allow for clear identification and retrieval IAW DCMA-MAN 4501-04, Volume 1, "Records and Information Management Program," in the approved location for the Division/CMO, as identified on the Records File Plan.

### **3.8. MONITOR FPRR OR FPRA.**

a. FPR in an FPRR or FPRA must be monitored to ensure that the established rates are fair and reasonable throughout the applicable period IAW DFARS PGI 242.302(a)(S-75)(c)(2)(iii)(C). The frequency of the Rate Monitoring will be based on risk and is recommended to be performed on a quarterly basis at a minimum. If the Rate Monitoring activities identify a significant variance between the rates in the FPRR or FPRA, the ACO should consider if the FPRR or FPRA should be abrogated, updated with documented review, or maintained with documented justification.

b. Rate Monitoring as a part of an FCMP. (More information is available in Paragraph 4.3.)

(1) The individual/members that are identified in the CM Plan will perform Rate Monitoring, at the frequency identified in the CM Plan.

(2) The individual/members will provide the results to the ACO.

c. Rate Monitoring without an FCMP. (This situation will occur if an ACO has determined that an FPRR or FPRA will be established, but a waiver has been granted to the FCMP)

requirements. More information on requesting support for an FCMP and the waiver process is in Section 4).

(1) The ACO, or other delegated functional specialist within the CMO, will perform Rate Monitoring. The ACO will determine the frequency of the Rate Monitoring.

(2) An ACO may request support from DCMA CPRC Pricing Division for a rate analysis where there is significant variance from the established rates.

### **3.9. MODIFYING EXISTING FPRR OR FPRA.**

Once an ACO has issued an FPRR or FPRA, it will remain in place until the expiration date identified in the FPR, unless circumstances change that would require the ACO to exit the FPRR or FPRA or the contractor to exit the FPRA.

a. This could occur from the receipt of:

(1) Updated FPRR or FPRA position that addresses the costs allocated from other contractor business segments, service centers, and/or corporate entities.

(2) Updated FPRP submitted by the contractor.

(3) Receipt of an Overhead Should Cost Review.

(4) Receipt of a CIPR.

(5) Information received by the ACO, CMS or other Government personnel that would impact the rates in the FPRR or FPRA.

(6) Receipt of a DCAA Audit Report.

b. If the ACO receives information identified in Paragraph 3.9.a., or any other information, that would necessitate the reevaluation of an established FPRA, the ACO will determine whether the FPRA should remain in place as is, be abrogated and followed by an FPRR, or be updated.

c. If the ACO determines the rate differences are not significant enough to warrant the abrogation of the FPRR or FPRA or non-concurs with position, the ACO can retain the existing FPRR or FPRA while analyzing the changes in the FPRP. If the rates do not require revision, the ACO will document the review and decision not to update the current FPRR or FPRA and will store the written document in the approved location as identified in the Records File Plan.

d. If the rate differences are significant enough and the ACO concurs with position, the ACO should abrogate the FPRR or FPRA and notify all interested parties of the extent of its effect. The ACO will follow the process in Paragraph 3.3. to analyze the differences and then follow the process in Paragraph 3.4. to update the FPRR and/or the process in Paragraph 3.5. to update the FPRA. The ACO will follow Paragraph 3.7. to notify the CMS, cognizant DCAA auditor, and

all contracting offices that are known to be affected by the FPRR or FPRA and enter the data into CBAR. If the rates do not require revision, the ACO will document the review and decision not to update the current FPRR or FPRA and will store the written document in the approved location as identified in the Records File Plan.



## SECTION 4: CM

### 4.1. DETERMINE WHETHER AN FCMP IS REQUIRED.

a. An FCMP is a detailed process to monitor the policies, procedures, and practices used by contractors to control direct and indirect costs IAW DFARS PGI 242.302(a)(S-75). The ACO must determine whether an FCMP should be established.

b. IAW DFARS PGI 242.302(a)(S-75)(c), the CAO is responsible to determine if an FCMP should be established. DCMA as the CAO has delegated this responsibility to the CPRC CACO/DACO Division Director and the Director of DCMAS Cost and Pricing. The initial determination can be performed by an ACO, but in order to ensure the proper alignment of resources across the Agency, the CPRC CACO/DACO Division Director and the Director of DCMAS Cost and Pricing are delegated to make risk-based decisions for all DCMA FCMPs, make final determinations for the establishment of FCMPs, and issue waivers for contractors that are determined to be low risk.

c. The ACO must establish an FCMP for contractors whose sales to the Government, during the contractor's next CFY, are expected to exceed \$200 million, unless a waiver is approved. The ACO may establish an FCMP, for contractors that do not meet the sales threshold of \$200 million, when there is a significant volume of negotiations, customer demand, risk, or other justification where the benefits to be derived from an FCMP are commensurate with the time and effort to establish and perform an FCMP.

d. For contractors with an existing FCMP, the ACO will reassess the need to maintain the FCMP on an annual basis with the first line supervisor. If there is a concern that maintaining an FCMP may no longer be justified, the ACO will perform a risk assessment using the process in paragraph 4.1.e. If the risk assessment identifies a change in risk, the ACO should discuss the situation with the CMS and CMS's first line supervisor. If the ACO and CMS agree, and their first line supervisors concur, they can request dissolution of the FCMP from the CPRC CACO/DACO Division Director or the Director of DCMAS Cost and Pricing.

e. For contractors without an existing FCMP, the ACO will assess the risk to the Government to determine if the benefits to establish an FCMP are commensurate with the time and effort to establish and perform an FCMP.

(1) The Risk Assessment should consider the sales volume, volume of proposals and negotiations, contract type mix, complexity of CAS actions, impacts and complexity of Contractor Business systems, impacts of Final Incurred Cost Rates, allowability and allocability issues, need for on-going FPR rate monitoring, and the overall risk at the contractor justifying dedicated resources.

(2) The ACO will perform an assessment of contractor sales volume in the next Contractor's Fiscal Year (CFY). Sales to the Government during the next CFY are determined by the ACO IAW DFARS PGI 242.302(a)(S-75)(c)(1)(i)(A). The ACO should include sales performed by the contractor for:

- (a) DoD Prime contracts
  - (b) Non-DoD Federal Government contracts
  - (c) DoD subcontracts
  - (d) FMS for Prime contracts and subcontracts
- (3) The ACO will provide the Risk Assessment to the first line supervisor for review.

(4) In situations external to the CPRC and DCMAS, the contracts director will review the Risk Assessment for concurrence. If the contracts director concurs that an FCMP should be established, the contracts director will initiate the business case process to request CM resources from the CPRC CACO/DACO Division. If the contracts director concurs that an FCMP should not be established for contractors, whose sales to the Government during the contractor's next CFY are expected to exceed \$200 million, the contracts director will initiate an FCMP waiver request from the CPRC.

(a) The contracts director or ACO will prepare a business case for the establishment of an FCMP to the CPRC using the template on the Resource Page. If an FCMP should not be established, the contracts director or ACO will prepare an FCMP waiver to the CPRC using the template on the Resource Page.

(b) The contracts director will coordinate the business case or FCMP waiver with the region contracts director.

(c) The region contracts director will review the business case or the FCMP waiver request. If the region contracts director concurs, the region contracts director will forward the business case or FCMP waiver request to the CPRC CACO/DACO Division Director for review, concurrence, approval, and assignment of resources, if applicable.

1. If after receiving the business case the CPRC CACO/DACO Division Director determines the level of risk is not commensurate to assign CMS support, the CPRC CACO/DACO Division Director will non-concur with the business case request. The CPRC CACO/DACO Division Director will provide a signed FCMP waiver to the CMO and Region.

2. If after receiving the FCMP waiver the CPRC CACO/DACO Division Director determines the level of risk is commensurate to assign CMS support, the CPRC CACO/DACO Division Director will non-concur with the FCMP waiver request. The CPRC CACO/DACO Division Director will assign resources for an FCMP.

3. If the CPRC CACO/DACO Division Director concurs with the business case, the CPRC CACO/DACO Division Director will approve the business case and assign resources for an FCMP.

4. If the CPRC CACO/DACO Division Director concurs with the FCMP waiver request, the FCMP waiver request will be approved and signed.

(d) If the region contracts director disagrees with the denial of an FCMP business case or FCMP waiver request, the region contracts director can appeal the decision, and elevate the issue to the CPRC Executive Director.

(e) Upon receipt of a waiver, or non-concurrence from the chain of command throughout the business case process, the ACO will conduct Rate Monitoring IAW Paragraph 3.8. to mitigate the risk to the Government. The ACO may reconsider the decision to issue the FPRR, and if necessary, pursue a waiver to issuing an FPRR.

(5) In situations internal to CPRC or DCMAS, the CACO/DACO Division team supervisor or DCMAS DACO supervisor will review the Risk Assessment for concurrence.

(a) The ACO will prepare an FCMP waiver request if there is concurrence to not establish an FCMP for contractors, whose sales to the Government during the contractor's next CFY are expected to exceed \$200 million.

(b) The CACO/DACO Division team supervisor or DCMAS DACO supervisor will forward the FCMP waiver through the chain of command for concurrence up to the CPRC CACO/DACO Division Director or the Director of DCMAS Cost and Pricing. The CPRC CACO/DACO Division Director or Director of DCMAS Cost and Pricing will make final determination and signed approval of the FCMP waiver or non-concur and establish an FCMP.

(c) If there is concurrence to establish an FCMP, the CACO/DACO Division team supervisor or DCMAS DACO supervisor will request concurrence from the chain of command up through the CPRC CACO/DACO Division Director or the Director of DCMAS Cost and Pricing. The CPRC CACO/DACO Division Director or the Director of DCMAS Cost and Pricing will make a final determination for the establishment of the FCMP and assignment of resources, if needed, or non-concur and provide a signed FCMP waiver.

(d) If there is a disagreement during the approval process, the CPRC CACO/DACO Division Director or the Director of DCMAS Cost and Pricing will make a final determination for the establishment of an FCMP or waiver of the FCMP.

f. If an FCMP is waived and the ACO has determined that establishing an FPRR or FPRA is beneficial to the Government, this means that there is not significant enough risk to justify formal monitoring of the rates. The FPRR or FPRA in these situations should be reevaluated every year during the FPRP analysis and should be rescinded/modified if any situations arise that would significantly impact the FPRR or FPRA.

(1) Absent an FCMP, if an ACO needs functional/technical pricing support, the ACO can request support from functional/technical specialists.

(2) The ACO should conduct rate monitoring IAW Paragraph 3.8. to ensure that the FPRR or FPRA is monitored.

## **4.2. PREPARE CM PLAN.**

### **a. Develop CM Plan.**

Once an FCMP is established for a contractor the CMS is responsible for preparing the CM Plan. The CMS may receive assistance from the ACO, DCAA, or other functional specialists. The CM Plan will be completed annually to establish a strategy for monitoring, reviewing, negotiating, and approving contractor's FPR, direct and indirect rates, business systems, CAS, corrective actions to deficient processes, and cost controls through the year. This will be accomplished by coordinating the capabilities of DCMA, DCAA, and other Government representatives in an effort to reduce unreasonable, erroneous, or improper costs to Government contracts by aligning and dedicating resources IAW DFARS PGI 242.302(a)(S-75)(d)(1).

#### (1) Risk Assessment.

The CMS will perform a risk assessment of the contractor's operations and resulting costs during the CM Planning phase. The planning phase directs resource allocation in the most effective manner to mitigate the Government risk and to result in the largest returns.

#### (2) Functional Specialist Reviews.

The FCMP requires participation of the functional specialists for all CM phases.

(a) In September of each year with the due date on October 1<sup>st</sup>, the CMS requests input from the functional specialists to determine potential high and moderate risk areas. The ACO and CMS must prioritize functional reviews based on the significance of the issues presented by functional specialists, and materiality of impact on the contractor's operations as identified in the risk assessment.

(b) The functional review responsibilities will be determined during the coordination phase of the CM Plan, except when the DFARS makes a specific organizational assignment. For example, DFARS 244.301 makes the ACO responsible for initiating contractor purchasing system reviews and DFARS 215.407-5-70(c)(3) prescribes that the auditor is responsible for leading estimating system reviews. The CM Plan must identify the organizations having the primary responsibility for performing the reviews IAW DFARS PGI 242.302(a)(S-75)(d)(2)(ii).

(c) The ACO or CMS must document the coordination with DCAA and functional specialists for planned activities to preclude the duplication of effort.

1. In preparation of a CM Plan, the ACO and CMS should have discussions with DCAA about the assistance that they can provide by performing portions of the CM Plan and related analyses IAW DFARS PGI 242.302(a)(S-75)(c)(3). After discussions and agreement on assigned portions of the plan, the ACO can tailor requests to DCAA to reflect the minimum

essential supplementary information needed to conduct a technical, cost or pricing analysis IAW FAR 15.404-2(a)(1). The FPRR/FPRA Review Checklist may be used to determine the areas DCAA or DCMA will perform during the CM activities. The result of the agreement must be included in the CM Plan.

2. Due to DCAA's audit planning starting in July of every year, by July 1<sup>st</sup>, the ACO and/or CMS must meet with DCAA to develop the planned FPR work and timing of the work to be completed by both parties. The coordination with DCAA should be based on the updated risk assessment which is the result of continuous CM activities. The ACO and/or CMS should discuss with DCAA if they are collecting information that is being used for the purposes of Rate Monitoring at the contractor. In situations where DCAA is collecting information, the ACO and/or CMS should coordinate with DCAA to reduce the number of overlapping requests for information.

(d) The CMS should document each planned functional review in the CM Plan.

(3) FPRR or FPRA Development.

The CM Plan must include a strategy for reviewing and assessing risk in the FPRP, and the strategy for the issuance of the FPRR or the negotiation of an FPRA.

(4) Final Overhead Rates Settlement.

The CM Plan must list the contractor Final Incurred Cost Rates to be settled during the period (DCMA-MAN 2201-03, "Final Indirect Cost Rates").

(5) FPRR or FPRA Rate Monitoring.

The CM Plan must include a strategy for reviewing, negotiating, and performing rate monitoring.

(a) The CM Plan must require a test of the validity of the current FPRR or FPRA on a periodic basis. Rate monitoring should be conducted per Paragraph 3.8. and should be reported in the CM Report per Paragraph 4.4.

(b) The ACO/CMS should develop thresholds for significant variances based on risk and discuss the thresholds with the contractor. If the CMS identifies a deviation to the rates in the FPRR or FPRA that is outside of the threshold, the CMS will notify the ACO.

(c) The ACO will review the identified variations and should consider canceling or modifying the FPRR or FPRA using the process in Paragraph 3.9.

(6) Contractor Business Systems.

The CM Plan must include the status of contractor business systems under the ACO's cognizance. For all contractor business systems that are disapproved, or applicable but not

evaluated, the CM Plan must include a strategy for performing current reviews and pursuing the process for approving or disapproving the systems IAW DCMA-MAN 2301-01, “Contractor Business Systems.” This strategy should be coordinated with DCAA because three types of contractor business systems are normally audited by DCAA (accounting system, estimating system, and material management). The strategy should also be coordinated with appropriate DCMA specialists for the three remaining contractor business systems: earned value management system, purchasing system, and property management system.

(7) CAS.

The CM Plan must include the status of the contractor’s current disclosure statement in adequacy and compliance as well as any noncompliance with the CAS or the contractor’s disclosed practices. Also, the CM Plan must include a strategy for resolving open issues with CAS, such as obtaining and resolving cost impact statements, and making final determinations on non-compliances with CAS or disclosed practices.

(8) Advance Agreements.

The CMS must document any existing advance agreements in the CM Plan. The CMS should discuss with the ACO any known potential advance agreements that might be agreed to during the reporting period and include them in the CM Plan.

**b. Selecting CM Activities.**

The CM Plan may include other activities, as determined by the ACO or CMS. These activities may include reviews of data identified in DFARS PGI 242.302(a)(S-75)(d)(3)(ii).

**c. Prioritizing CM Plan.**

The CMS should prioritize the CM Plan, based on a risk analysis, to review the contractor activity IAW DFARS PGI 242.302(a)(S-75)(d)(4)(i).

**d. Functional Support to the CMS.**

The FCMP will be led by the CPRC or DCMAS CMS. The CMS may request assistance from the ACO, and other support personnel as identified in the CM plan. The CMS can request support as needed for CM activity or special reviews. The CMS may invite the contractor to CM key functions and activities.

**e. Submission and Approval/Disapproval of CM Plan.**

(1) The CMS must submit the CM Plan to the ACO no later than October 22nd. The ACO will review for concurrence or non-concurrence.

(2) Once the ACO concurs, the CMS should submit the CM Plan to the CMS first line supervisor no later than November 1<sup>st</sup>. The CMS first line supervisor will review the CM Plan for concurrence or non-concurrence.

(3) Once the CMS first line supervisor concurs, the first line supervisor will submit an adequate CM Plan to the CACO/DACO Division team supervisor or DCMAS DACO supervisor no later than November 15<sup>th</sup>, if different than the CMS first line supervisor. The CACO/DACO Division team supervisor or DCMAS DACO supervisor will review for approval.

(4) The CACO/DACO Division team supervisor or DCMAS DACO supervisor must approve the CM Plan within 15 days of an adequate submission, which can be no later than November 29<sup>th</sup>.

(5) The CMS must store the final approved and signed copy of the CM Plan in the storage location identified in the Records File Plan.

#### **f. CM Plan Template.**

The CM Plan must be prepared IAW the DFARS PGI 242.302(a)(S-75)(d) and Section 4 of this Manual, using the template on the Resource Page, unless the CMS supervisor has approved an alternate template.

### **4.3. CONDUCT CM ACTIVITIES.**

#### **a. Review and Analysis Responsibilities.**

The CM multi-functional members must conduct CM IAW the CM Plan IAW DFARS PGI 242.302(a)(S-75)(d)(6).

(1) The functional specialists and DCAA auditor perform functional reviews and audits as scheduled IAW the CM Plan.

(2) The ACO and CMS should promote open communications between the CM multi-functional members and contractor personnel.

(3) The ACO should hold interim meetings with the contractor as necessary to clarify information and an exit conference at the conclusion of reviews.

(4) The CMS prepares reports at the conclusion of reviews and the ACO determines whether a Government review or audit report will be provided to a contractor. The ACO should confer with legal counsel if there are questions concerning release.

(5) The CMS prepares reports on the results of the CMS analysis and monitoring of the contractor's current and out-year rates and factors, which should address the causes for significant deviations from historical and negotiated FPR and factors.

**b. Impact to FPRR or FPRA.**

As a result of CM activities, including monitoring of the contractor actuals and incurred pool and base costs, the ACO may need to update the FPRR or FPRA positions to protect the Government's interest. The ACO must review the documented results of these activities to decide if the current FPRR or FPRA position requires updating. Conditions that may affect the FPRA's validity must be reported promptly to the ACO. The ACO will follow the procedures in Paragraph 3.9., notify the CMS of the ACO's decision, and provide any updates to the FPRR or FPRA to the CMS.

**c. CMS Supervisor Role.**

The CMS's first line supervisor will ensure the CM activities are executed as planned.

**4.4. PREPARE CM REPORT.**

**a. Prepare Semi-Annual CM Report.**

(1) The semi-annual CM Report is a culmination of the Government activities performed during the preceding period. The purpose of semi-annual CM Reporting is to document all Government efforts to conduct and maintain a formal monitoring program of contractor policies, procedures, and practices for controlling costs charged to Government contracts. The semi-annual CM Report should include a consolidation of all CM activity, to include a well-documented variance analysis on the covered FPRs, completed during the time period. The first line supervisor has the authority to require more frequent CM Reports than semi-annual. It is recommended that the frequency does not exceed more than four reports per year, including the annual CM Report.

(2) The semi-annual CM Report must be in the same format and detail as the annual CM Report using the template available on the Resource Page. If the CFY is not the same as the Government's fiscal year, the CMS first line supervisor may require the semi-annual report due date to align with the end of the CFY.

(3) Submission and approval of semi-annual CM Report.

(a) The CMS will prepare the semi-annual CM Report and submit it to the first line supervisor for review. The first line supervisor will review and approve the semi-annual CM Report. The semi-annual CM Report will be provided to the ACO within 10 calendar days after the end of the semi-annual reporting period for review.

(b) The Annual CM Report, described in Paragraph 4.4.b., will be submitted in lieu of a second semi-annual CM Report.



**b. Prepare Annual CM Report.**

(1) The annual CM Report is a culmination of the Government activities performed during the Government's fiscal year to conduct and maintain a formal monitoring program of contractor policies, procedures, and practices for controlling costs charged to Government contracts. The report must be prepared using the template on the Resource Page, which includes the contents identified in DFARS PGI 242.302(a)(S-75)(e)(2).

(2) Submission and approval of annual CM Report will be performed IAW DFARS PGI 242.302(a)(S-75)(e)(3):

(a) The CMS will prepare the annual CM Report and must submit it to the ACO no later than October 15<sup>th</sup>. The ACO will review the CM Report for concurrence or non-concurrence.

(b) Once the ACO concurs, the CMS should submit the CM Report to the CMS first line supervisor no later than October 31<sup>st</sup>. The CM first line supervisor will review the CM Report for concurrence or non-concurrence.

(c) Once the first line supervisor concurs, the first line supervisor should submit the CM Report to the CACO/DACO Division team supervisor or DCMAS DACO supervisor no later than November 15<sup>th</sup>, if different than the CMS first line supervisor. The CACO/DACO Division team supervisor or DCMAS DACO supervisor will review for approval.

(d) The CACO/DACO Division team supervisor or DCMAS DACO supervisor must approve the annual CM Report no later than November 29<sup>th</sup>.

(e) Upon receipt of the approved CM Report, the CMS will provide a copy of the report to the ACO and cognizant DCAA office within 15 calendar days of approval. The CMS must store the final approved and signed copy of the CM Report in the storage location identified in the Records Management File Plan.

## SECTION 5: TSI

### 5.1. TSI REQUESTS.

TSI is performed for any technical analysis of a contractor's FPRP. TSI activities include Business Base, IR&D, Bid & Proposal, Cost Estimating Relationship (CER), Cost Reduction Initiative (CRI) and Facilities Cost technical analyses. TSI activities are also performed in support of DCMA CM efforts. It may be beneficial to assign a technical specialist to perform technical analyses as scheduled in a CM Plan. Support for all CM efforts requiring technical support will be requested via the TSI request process. Additional guidance in performing TSI analysis and guidance on the agency authorized capability can be located on the Resource Page. This section provides the processes for DCMA TSI IAW Subpart 15.4 of the FAR and Subpart 215.4 of the DFARS with a focus on FAR 15.404-1(e).

### 5.2. RECEIVE AND COORDINATE TSI REQUEST.

Requests may come from an internal requestor or a requestor external to DCMA.

#### a. Receive TSI Request.

TSI requests will be received via the agency authorized capability. TSI requests received outside the agency authorized capability will be routed to the TSI coordinator. Any request sent directly to the technical specialist will be routed to the TSI coordinator.

##### (1) Create Request TSI Record.

The TSI coordinator will create a record for TSI cases utilizing the agency authorized capability. Refer to the Resource Page for details on using the agency authorized capability.

##### (2) Review TSI Request.

The TSI coordinator will review the request to ensure that it specifies the technical analyses to be performed. If the request does not clearly specify the analyses to be performed, the TSI coordinator will contact the requestor for clarification.

##### (3) Workload Acceptance.

The technical supervisor/lead will accept workload of TSI Only cases per DCMA-MAN 4502-02, "Workload Acceptance."

##### (4) Receipt Confirmation of TSI Request.

The TSI coordinator should inform the requestor that the TSI request has been received.

**b. Coordinate TSI Request.**

All requests must be coordinated between the TSI coordinator and the technical supervisor/lead.

(1) Review Scope of Request.

The scope of the request will be reviewed by the TSI coordinator and the technical supervisor/lead to identify requirements and resources necessary to complete the TSI by the requested due date.

(2) Assign Technical Specialist.

The technical supervisor/lead will assign a technical specialist to perform the TSI review. In situations where multiple technical specialists are needed for the TSI review, the technical supervisor/lead will assign a primary individual to lead the TSI review. The CMO must not reject a request due to the lack of resources or expertise without elevating the request by following the procedures on the Resource Page.

(3) Communicate with Requestor.

The technical specialist should communicate with the requestor early in the TSI process to ensure that both parties agree on the scope of the effort and to establish expectations regarding the TSI process.

**c. TSI Request Documentation.**

The TSI coordinator should document receipt of TSI requests and confirmation of requests in the technical case file (See Paragraph 5.7.).

**d. Monitor TSI Requests.**

The TSI coordinator will provide oversight of the established timeline for all requests, including approval status and final submittal of TSI reports. The TSI coordinator will provide information to internal/external customers on TSI status when requested.

**5.3. REVIEW TSI REQUEST.**

TSI requests are reviewed to ensure understanding of scope of work requested and to ensure that all documentation necessary to begin the effort is provided by the requestor. The review of the provided documentation allows the technical specialist to develop a technical approach to support the request, and to provide the requestor with an acknowledgement.

**a. TSI Request Package Requirements.**

The technical specialist will review the TSI request package for completeness. The TSI request package must include the analysis request, a copy of the FPRP or special review documentation when part of a CM effort, all supporting documentation provided by the contractor and the points of contact for the proposal. The technical specialist will include all correspondence and information received in the case file (See Paragraph 5.7.).

**b. Technical Approach.**

The technical specialist should discuss the technical approach that will be taken to evaluate the proposal with the technical supervisor/lead. It is encouraged that the technical specialist develops a technical risk approach.

**c. Send Acknowledgement of TSI Request.**

Technical specialists are strongly encouraged to use the TSI Acknowledgement Template on the Resource Page. A CMO/Team or email record that provides, at a minimum, the scope and due date agreement may be used.

(1) When only one technical specialist is assigned to perform a TSI review, the technical specialist will send a written acknowledgment accepting the scope of work and due date to the requestor and TSI coordinator.

(2) When more than one technical specialist is assigned to perform a TSI review, the primary individual will coordinate with the other technical specialists and send a written acknowledgement accepting the scope of work for all the technical specialists and agreed-to due date to the requestor and TSI coordinator.

(3) The technical specialist will document acknowledgement in the case file (See Paragraph 5.7.).

**d. Changes to Requested Due Date.**

If the requested due date cannot be met, a revised due date will be coordinated with the technical specialist, TSI coordinator, technical supervisor/lead, and the requestor.

**e. Deviation from Original Request.**

If deviations from the requested TSI analysis scope are required, the revised scope will be coordinated with the technical specialist, TSI coordinator, technical supervisor/lead and the requestor and must be included in the written acknowledgement.

#### **5.4. PERFORM TSI ANALYSIS.**

The objective of TSI analysis is to provide sufficient information and insight into a contractor's proposed costs to assist the ACO in the timely negotiation of fair and reasonable FPR and to provide the CM with requested technical analysis results.

##### **a. Proposal/Data Walk Through.**

The technical specialist should contact the requestor to set up a proposal walk through with the contractor. The walk through should be done as early as possible within the TSI process and all proposal review team members should be invited to participate.

##### **b. Data Review.**

The technical specialist must perform a review of the data provided by the contractor to support the rationale and estimates within the FPRP IAW FAR 15.404-2, or a review of the requested CM items. This review should allow adequate time to request additional information from the contractor. The technical specialist may request needed data either during fact-finding sessions with the contractor or via a Request for Information (RFI) submittal.

###### **(1) Fact Finding.**

When fact-finding sessions are conducted, the request should be coordinated with the contractor point of contact, and the requestor should be informed. Other proposal evaluation team members should be invited, as appropriate. Following the meeting, ensure that any pertinent information provided by the contractor is documented in a MFR or similar means. The minutes and action items should also be sent to the contractor representative to make sure there are no disagreements relative to what information was provided and/or to document what additional information needs to be provided.

###### **(2) RFI.**

When RFIs are used, the requestor or local guidance should dictate the appropriate RFI process. The requestor should be copied on all RFIs.

##### **c. Technical Analysis.**

The technical specialist must address all areas identified in the TSI request and agreed to in the written acknowledgement. Analysis and recommendations should be based on facts and quantitative data. When a large volume of data exists, it is at the discretion of the technical specialist to conduct risk-based sampling to develop the government recommended positions. Sampling size should be adequate to allow for valid justification and defense of recommendations.

(1) Estimating System Deficiencies.

If, during evaluation of a proposal, any significant estimating system deficiencies are identified IAW DFARS 215.407-5-70(d)(1), “Reporting of findings,” the technical specialist will notify the cognizant ACO in writing and document this information in the TSI report.

(2) Perform Technical Analysis of Business Base.

The technical specialist must ensure that the contractor’s business base reflects the total labor, material, and other direct costs for projected sales. The technical specialist will understand the contractor’s business base forecasting process and the resultant demand forecast. Technical analysis must ensure:

- (a) Contractor has identified all existing and projected demand.
- (b) Contractor’s business base accurately reflects the costs for the existing and projected demand.
- (c) Contractor’s business base accurately reflects the time phasing of costs for the existing and projected demand.

(3) Perform Technical Analysis of Independent Research and Development.

Technical specialist must ensure compliance with FAR 31.205-18 and DFARS 231.205-18. Refer to the Resource Page for a listing of contractor IR&D data and information that may be requested in addition to the data and information received in the original request package.

(4) Perform Technical Analysis of CERs.

Technical specialist must ensure that contractor CERs are valid and applicable by determining if:

- (a) There is a causal relationship between the independent and the dependent variables.
- (b) Data is current, accurate, and complete.
- (c) Independent and dependent variables are clearly defined, with exceptions explicitly documented.
- (d) Data exclusions/adjustments are specified.
- (e) Conditions of use are specified, including deviation process.

(5) Perform Technical Analysis of Proposed Contractor CRI.

The technical specialist will determine if the contractor CRI satisfies the criteria identified in DFARS 215.404-71-5 and assess whether a contractor's estimated cost savings projections are reasonable. In support of CM efforts, the technical specialist will determine if implemented CRIs have resulted in cost savings. As part of an FPRP evaluation, the technical specialist will evaluate contractor CRIs to assess its cost on applicable FPRP cost pools and bases.

(6) Perform Technical Analysis of Facility Costs.

Technical analysis of facility costs may include idle facilities, idle capacity, plant rearrangement, rental costs, depreciation (capital equipment and facilities), and information technology (IT). The technical specialist must:

(a) Identify the status and use of the facilities identified by the requestor. Indirect costs related to idle facilities and idle capacity are addressed in FAR 31.205-17.

(b) Review the proposed change and/or verify the existing change is as described by the contractor. Plant rearrangement costs are addressed in FAR 31.205-25.

(c) Evaluate a contractor's asset depreciation (capital equipment and facilities) to ensure the depreciated tangible and intangible assets are credible and relevant. Asset inventory lists should be checked to validate the status of the asset and to ensure that asset retirements have been properly captured. The technical specialist will review milestone schedules and project progress. When depreciation expense is tied to a particular project, evaluate the project's status and the percentage of work completed on the project. A capital improvement plan asset or capital work in progress asset which is not completed may not be depreciated until the asset is placed in service.

(d) Review IT to determine reasonableness for DoD usage. Review considerations include need for proposed projects, purchases, and level of current IT needs.

**d. Due Date Extension Request.**

Typically, extensions are requested due to unplanned RFIs, unresponsiveness from the contractor, and scope changes. If an extension to the agreed to due date is required once the TSI effort is in process, the technical specialist will coordinate the extension with the technical supervisor/lead using the agency authorized capability. The request must document the rationale and identify previous acknowledgment and extension dates, if applicable. The extension must be agreed to by the requestor and documented in the agency authorized capability.

**e. Case File Documentation.**

The technical specialist must document working papers consistent with the TSI case file index (located on the Resource Page).

## 5.5. PREPARE TSI REPORT.

The technical specialist must prepare a TSI report incorporating the findings and recommendations of all proposal areas requested, to include recommendations and supporting analysis from all necessary functional areas (e.g., engineering, manufacturing, quality, and software) as required by the request and identified in the written acknowledgement. Generic statements should be avoided. The technical specialist must identify what they reviewed based on the TSI request and the methodology/technique used during their analysis to support the technical specialist's recommendation.

### a. Report Format.

The technical specialist must follow the local CMO/Team procedures for TSI report formatting. If one does not exist, the TSI Report template located on the Resource Page may be used. Requestor specified formats are acceptable.

#### (1) Content.

At a minimum, the technical specialist must include:

- (a) Analysis requested
- (b) Executive Summary with table summarizing technical analysis results and recommendations.
- (c) Proposal background/introduction and number.
- (d) Scope and limitations of the TSI Analysis.
- (e) Contractor/Government Personnel contacted.
- (f) Technical Methodology/Scope and Limitations:
  - 1. Evaluation Methodology.
  - 2. Technical Approaches.
  - 3. Scope of technical evaluation/analysis performed and/or limitations.
- (g) Detailed results by proposal elements to include:
  - 1. Proposed information (contractor's basis of estimate).
  - 2. Analysis and results leading to technical specialist's position.
  - 3. Recommended government position with rationale.



(h) Documents/reference material used in technical specialists' analysis (as applicable).

(i) Offer to support negotiations

(j) Restrictions

(k) Signature block

(2) Document Deviations from Request.

The technical specialist must document any agreed-to deviations from the original request.

(3) Document Estimating System Deficiencies.

The TSI report must describe the deficiencies in sufficient detail IAW DFARS 215.407-5-70(d)(1), "Reporting of findings."

(4) Apply Proper Markings.

All technical reports and other relevant documents containing CUI must be properly marked (See Paragraph 7.3.). Government or contractor proprietary data must be properly marked and/or protected as required by law and regulation. When disclosure to the public of a particular record, or portion thereof, would reasonably be expected to cause a foreseeable harm to an interest protected by one or more provisions of the Freedom of Information Act, the document should be properly marked as CUI as appropriate.

**b. Consolidate Report.**

The primary individual referred at the Paragraph 5.2.b.(2) will coordinate with all applicable functional areas to obtain technical specialist written detailed results for each assigned element. The primary individual will consolidate inputs into one comprehensive report.

**c. Prepare Case File for Review.**

The technical specialist should assemble the case file prior to the review and approval process (See Paragraph 5.7.).

**d. Submit Report for Review.**

The technical specialist or primary individual will submit a draft TSI report that incorporates the analysis and technical recommendations to the technical supervisor/lead for review and comment as appropriate.

**e. Review TSI Report and Technical Case Files.**

The technical supervisor/lead will review the draft TSI report and technical case files and provide feedback/recommendations as required to the author of the TSI report.

**f. Sign and Approve Reports.**

All reports must be signed by a technical specialist and reviewed, approved, and signed by the technical supervisor/lead (physically or electronically). Review, approval, and signature of the technical supervisor/lead signifies that the report's contents meet all policy requirements and all the requirements of the TSI request identified in the written acknowledgment.

(1) Releasing Preliminary Results.

For internal purposes, the report can be unofficially provided to the DCMA requestor for incorporation into their analysis. The DCMA requestor should not release the preliminary TSI report to external customers prior to review and approval of the preliminary TSI report.

(2) Higher Level of Authority Signature.

If the technical supervisor/lead prepares the TSI report, the technical case file review and the final approval signature must be at least one level above the preparer.

**g. Submit Report.**

The report must be submitted to the requestor and is typically provided by the technical specialist.

**h. Report Documentation.**

The technical specialist will ensure that the signed approved report is in the technical case file.

**i. Close TSI Case File.**

The technical specialist should close completed cases in agency authorized capability. Refer to the Resource Page for details on use of the agency authorized capability.

**5.6. PROVIDE NEGOTIATION SUPPORT.**

When requested, the technical specialist must support negotiations as necessary. Ad hoc support may be requested of the technical specialist who completed the analysis of the area needing support. Negotiation support requests impacting workload should be routed in the same manner as a TSI request.

**5.7. COMPLETE TSI SUPPORT.**

The technical case file must contain all documents and correspondence used or referenced in the response. The case file must include a completed Case File Documentation Checklist located in the Resource Page.

**5.8. RECORDS MANAGEMENT.**

Records Management will be conducted IAW Section 7 of this Manual.

**5.9. CORRECTIVE ACTION REQUESTS.**

The technical specialist will process Corrective Action Requests when appropriate. Reference DCMA-MAN 2303-01, "Surveillance".

## SECTION 6: CIPR

### 6.1. DETERMINE THE NEED FOR A CIPR.

a. An in-depth CIPR as described in DFARS 242.7301(a)(1) will be conducted only when:

(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 IAW Section 3702 of Title 10, United States Code, "Required cost or pricing data and certification," as implemented in FAR 15.403, "Obtaining Certified Cost or Pricing Data," 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.

(2) 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 IAW DFARS 242.7302(a)(1)(ii).

b. Special CIPR concentrates on specific areas of a contractor's insurance programs, pension plans, or other deferred compensation plan. A special CIPR must be performed, but is not limited to, a contractor meeting the requirements in DFARS 242.7302(a)(1), when any of the following circumstances exists, but only if the circumstance(s) may result in a material impact on Government contract costs IAW DFARS 242.7302(b):

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

(2) The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.

(3) The contractor is involved in a merger, acquisition, or divestiture.

(4) The Government needs to follow up on contractor implementation of prior CIPR recommendations.

(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.

c. 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.

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

- (1) Review of contractor's method of estimating contributions to a defined benefit plan.
  - (2) Review of a contractor's method of estimating contributions to a fund other than employee pension plan (e.g., a postretirement benefit plan).
  - (3) Review of a contractor's method of estimating insurance costs.
  - (4) Review of the contractor's allocation method or changes in allocation method required to remain in compliance with CAS 412, 413, and 416.
  - (5) Corporate external or internal restructuring that triggers changes to current allocation methods.
  - (6) Business unit closings.
- e. A mandatory self-insurance program review must be requested when pursuant to FAR 28.308, "Self-Insurance," a contractor submits, in writing, information on its proposed self-insurance program for ACO approval.
- f. An external customer request refers to a request for a review of indemnification for unusually hazardous or nuclear risk activities pursuant to FAR 50.104-3. The ACO will forward these requests to the CIPR Center. The CIPR Center will perform CIPR reviews for external customers IAW the Workload Acceptance procedures job aid located on the Resource Page of DCMA-MAN 2501-01, "Contract Receipt and Review." The CIPR Center will provide a report directly to the external customer.

## **6.2. REQUEST AND PLAN A CIPR.**

- a. Request a CIPR by sending an email to the CIPR Center. The CIPR Center Mailbox address is located on the Resource Page under Points of Contact/Order of Escalation section.
- b. The CIPR Center will accomplish all related work virtually. In instances when critical issues cannot be resolved, the ACO may schedule an on-site review.
- c. At the onset of a review, the CIPR Center will determine the data required and prepare a data request to the ACO for forwarding to the contractor.
- d. CIPR specialist conducts analysis on the contractor's insurance/pension plans and other related data for incorporation into the final CIPR report.
- e. Prior to issuance of the CIPR Report to an ACO or external customer, a supervisory review and approval must occur.
- f. 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. The report may not be released to the contractor except by the cognizant ACO.

### **6.3. DISPOSITION CIPR FINDINGS.**

a. Upon receipt of the CIPR report, the ACO will evaluate if any existing FPRs need to be modified following the process in Paragraph 3.9. Failure to agree with the recommendation of the CIPR Center may require the ACO to elevate the issue through the chain of command up through the CPRC Executive Director to achieve resolution.

b. The ACO must ensure that rate documents are properly marked with contractor proprietary markings and identified as CUI as appropriate. (See Paragraph 7.3.).

### **6.4. RECORDS MANAGEMENT.**

a. The CIPR team will store the CIPR report documentation in the approved location identified in the Records File Plan.

b. The ACO or CMS will retain a copy of the CIPR report in the case file, in the designated filing location identified in the Records File Plan. (See Section 7)

## **SECTION 7: RETENTION OF RECORDS**

### **7.1. REQUIREMENT TO ESTABLISH FILES.**

a. DCMA personnel must ensure that files are established and contain the official contract records for actions taken regarding FPR, CM, TSI, and CIPR. Individuals must follow the DCMA Records Management and Retention policy and procedures, as identified under DCMA-MAN 4501-04, Volume 1 and Volume 2 “Records Retention Schedule.” The DCMA Records Management policy provides guidance for the requirement to establish files containing the official records of all contractual actions as they relate to FPR, CM, TSI, and CIPR IAW FAR 4.801(a).

b. The documentation in the file must, IAW FAR 4.801(b), be sufficient to constitute a complete history of the transaction for the purposes of:

(1) Providing a complete background as a basis for informed decisions at each step in the analysis process.

(2) Supporting actions taken.

(3) Providing information for reviews and investigations.

(4) Furnishing essential facts in the event of litigation or congressional inquiries.

c. The examples of the records normally contained in contract files, if applicable, are listed in FAR 4.803.

### **7.2. RECORDS MANAGEMENT SYSTEM.**

The DCMA Records and Information Management policy and procedures as identified in DCMA-MAN 4501-04, Volume 1 and 2, provide an orderly system for organizing records for filing and eventual disposition. The responsibility for maintaining historical documentation of transactions that occur during a work process rests primarily with the functional specialist executing that process. The ACO and all functional specialists will store official contract files in the approved Agency document repository. Documents that would normally be filed in hardcopy folders, as referenced in the FAR, will be uploaded to the Agency-approved document repository after final approval of the action. ACOs and functional specialists will properly categorize documents for electronic retrieval and records retention purposes using specific metadata when uploading documents into the document repository. More information on the proper storage of FPR documentation is identified in the Records File Plan, located on the Resource Page.

### **7.3. PROTECTING CLASSIFIED INFORMATION AND CUI.**

Protecting information is critical and integral when conducting the processes associated with this Manual. DCMA personnel are responsible for protecting classified and CUI entrusted to them. DCMA personnel must take prudent steps to ensure final disposition of classified information

and CUI per DCMA and DoD policy. These procedures vary based on the type, access, and nature of the material involved. Refer to DCMA-MAN 3301-08, "Information Security," for guidance in the control, transmission, destruction, and storage of such material.



## GLOSSARY

### G.1. ACRONYMS.

|          |   |
|----------|---|
| ACO      | Administrative Contracting Officer                |
| BoR      | Board of Review                                   |
| CACO     | Corporate Administrative Contracting Officer      |
| CAO      | Contract Administration Office                    |
| CAS      | Cost Accounting Standards                         |
| CBAR     | Contract Business Analysis Repository             |
| CER      | Cost Estimating Relationship                      |
| CFAO     | Cognizant Federal Agency Official                 |
| CFY      | Contractor Fiscal Year                            |
| CIPR     | Contractor Insurance/Pension Review               |
| CM       | Cost Monitoring                                   |
| CMO      | Contract Management Office                        |
| CMS      | Cost Monitoring Specialist                        |
| CRI      | Cost Reduction Initiative                         |
| CUI      | Controlled Unclassified Information               |
| DACO     | Divisional Administrative Contracting Officer     |
| DCAA     | Defense Contract Audit Agency                     |
| DCMA-MAN | DCMA Manual                                       |
| DCMAS    | DCMA Special Programs                             |
| DFARS    | Defense Federal Acquisition Regulation Supplement |
| FAR      | Federal Acquisition Regulation                    |
| FCMP     | Formal Cost Monitoring Program                    |
| FPR      | Forward Pricing Rates                             |
| FPRA     | Forward Pricing Rate Agreement                    |
| FPRP     | Forward Pricing Rate Proposal                     |
| FPRR     | Forward Pricing Rate Recommendation               |
| IAW      | in accordance with                                |
| IR&D     | Independent Research and Development              |
| IT       | Information Technology                            |
| MFR      | Memorandum for Record                             |
| PCO      | Procuring Contracting Officer                     |
| PGI      | Procedures, Guidance, and Information             |
| PNM      | Price Negotiation Memorandum                      |
| PNOM     | Pre-Negotiation Objectives Memorandum             |

|     |                                     |
|-----|-------------------------------------|
| RFI | Request for Information             |
| TSI | Technical Support to Indirect Costs |

## GLOSSARY

### G.2. DEFINITIONS.

|                             |  |
|-----------------------------|--|
| <b>Billing Rates</b>        | An indirect cost rate: (1) established temporarily for interim reimbursement of incurred indirect costs; and (2) adjusted as necessary pending establishment of final indirect cost rates IAW FAR 42.701.  |
| <b>Business Day</b>         | A business day is considered every official workday of the week. These are the days between and including Monday through Friday, and do not include U.S. public holidays and weekends.   |
| <b>Calendar Day</b>         | A calendar day is defined as any 24-hour period between Sunday through Saturday to include U.S. public holidays and weekends.  |
| <b>CER</b>                  | A technique used to estimate a particular cost or price by using an established relationship with an independent variable. Identification of an independent variable (driver) that demonstrates a measurable relationship with contract cost or price establishes a CER.   |
| <b>Cost Objective</b>       | Cost objective means a function, organizational subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc. IAW FAR 31.001.  |
| <b>Direct Cost</b>          | Direct cost means any cost that is identified specifically with a particular final cost objective. Direct costs are not limited to items that are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives IAW FAR 2.101. |
| <b>Final Cost Objective</b> | Final cost objective means a cost objective that has allocated to it both direct and indirect costs and, in the contractor's accumulation system, is one of the final accumulation points IAW FAR 31.001.  |
| <b>FPRA</b>                 | FPRA means a written agreement negotiated between a contractor and the Government to make certain rates  |

available during a specified period for use in pricing contracts or modifications. These rates represent reasonable projections of specific costs that are not easily estimated for, identified with, or generated by a specific contract, contract end item, or task. These projections may include rates for such things as labor, indirect costs, material obsolescence and usage, spare part provisioning, and material handling IAW FAR 2.101.

**FPRP**

An FPRP is a set of rates and factors established by the Contractor and submitted to the Government for use bilaterally; by the Contractor to develop proposals; and by the Government to set an FPRR or negotiate an FPRA.

**FPRR**

A rate set unilaterally by the ACO for use by the Government in negotiations or other contract actions when FPRA negotiations have not been completed or when the contractor will not agree to an FPRA IAW FAR 2.101.

**Indirect Cost**

Indirect cost means any cost not directly identified with a single final cost objective but identified with two or more final cost objectives or with at least one intermediate cost objective IAW FAR 2.101.

**IR&D Cost**

IR&D costs means the cost of effort which is neither sponsored by a grant, nor required in performing a contract, and which falls within any of the following four areas (1) basic research, (2) applied research, (3) development, and (4) systems and other concept formulation studies IAW FAR 31.001.

## REFERENCES

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Federal Acquisition Regulation 42.704(d)  
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Federal Acquisition Regulation 50.104-3  
United States Code, Title, 10, Section 3702