



DCMA Manual 2201-01

Forward Pricing Rates

**Office of Primary
Responsibility**

Indirect Cost Control Capability

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Process flow and key controls are located on the Resource Page

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Located on the Resource Page

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Approved by:

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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.
- Establish procedures and assign responsibilities for establishing a cost monitoring plan.
- Establish procedures and assign responsibilities for performing technical support to indirect costs activities.
- Establish procedures and assign responsibilities for performing contractor insurance/pension review for DCMA.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This Manual applies to all DCMA personnel.

1.2. POLICY. It is DCMA policy to support Procuring Activities in negotiating a fair and reasonable prices through Forward Pricing Rate Recommendations and Forward Pricing Rate Agreements.

a. Forward Pricing Rates. A Forward Pricing Rate Proposal (FPRP) is submitted by contractors to the government for their rates over a period of time used in their proposals. The Government has responsibility to perform reviews of contractor rate proposals to establish the Government negotiation position and to negotiate the Forward Pricing Rates (FPR) to ensure that contract prices are fair and reasonable.

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 their direct and indirect costs; however, DCMA must systematically monitor the management of contractors' costs to ensure these responsibilities are met in accordance with Defense Federal Acquisition Regulation Supplement/Procedures, Guidance and Information DFARS PGI 242.302(a)(S-75)(b).

(2) DCMA must establish Cost Monitoring Program (CMP) 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). The exceptions are stated in Section 4 of this Manual.

c. Technical Support to Indirect Costs (TSI). Provide quality and timely technical assessments to support forward pricing rate and CM efforts. The assessments include recommendations to help determine and obtain fair and reasonable FPR and provide insight in monitoring contractor's costs. TSI represents on-demand activities which are performed on required or needed basis.

d. Contractor Insurance/Pension Review (CIPR). In accordance with DFARS 242.7301, as the DoD Executive Agency for the performance of all CIPRs, determine the allowability of insurance and pension costs in Government contracts and for the need for a CIPR. Administrative Contracting Officers (ACOs) and Cost Monitors must follow the requirements of DFARS 242.73, "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.

SECTION 2: RESPONSIBILITIES

2.1. EXECUTIVE DIRECTOR, CONTRACTS. The Executive Director, Contracts, will:

- a. Designate a management official to oversee the DCMA FPRs system.
- b. Assure management officials throughout the agency understand the value of the audit process and are responsive to audit findings and recommendations.
- c. Require periodic internal reviews of the Agency FPR procedures and performance to determine whether ACOs resolve and disposition audit findings and recommendations.

2.2. CONTRACT MANAGEMENT OFFICE COMMANDER/DIRECTOR, DCMA SPECIAL PROGRAMS DIRECTOR OF COST/PRICING DIVISION, COST AND PRICING CENTER CORPORATE ADMINISTRATIVE CONTRACTING OFFICER/DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER GROUP DIRECTOR. Contract Management Office (CMO) Commander/Director, DCMA Special Programs (DCMAS) Director of Cost/Pricing Division, Cost and Pricing Center Corporate Administrative Contracting Officer (CACO)/Divisional Administrative Contracting Officer(DACO) Group Director will:

- a. Concur or Non-concur the request to establish a CMP for a contractor that does not meet the criteria of a CMP, but a business need (e.g., significant cost/pricing activity) justifies the establishment of a CMP.
- b. Concur or Non-concur a CMP waiver request for a contractor that meets the criteria for a CMP but an alternate course of action is justified (e.g., where the rates for a business unit are negotiated at another site). Provide resources to support a CMP with a CM team as specified in Section 4.2. of this Manual.
- c. Review and concur/non-concur the annual CM report.
- d. Establish delegation authority for approval of quarterly CM reports. This delegation does not apply to approval of the annual CM report.
- e. The Director of DCMAS Cost/Pricing Division or the Director of Cost and Pricing Center CACO/DACO Group will ensure compliance with Section 6 of this Manual.

2.3. CONTRACT MANAGEMENT OFFICE CONTRACTS DIRECTOR, COST AND PRICING CENTER CORPORATE ADMINISTRATIVE CONTRACTING OFFICER/DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER GROUP SUPERVISOR, DCMA SPECIAL PROGRAMS DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER SUPERVISOR. The CMO Contracts Director, Cost and Pricing Center CACO/DACO group supervisor, and DCMAS DACO supervisor will:

- a. Review and provide written concurrence or nonconcurrence to the ACO's written determination related to the establishment/nonestablishment of an Forward Pricing Rate Recommendation (FPRR)/Forward Pricing Rate Agreement (FPRA) and/or CMP in accordance with paragraph 3.1.a. of this Manual.
- b. Review and provide written concurrence or nonconcurrence by signing decisional memorandums.
- c. Ensure that Boards of Review (BoRs) are properly requested when required.
- d. Establish a file location to contain the records of all FPRR/FPRA actions in accordance with Federal Acquisition Regulation (FAR) 4.801(a).
- e. Ensure the data in the FPRA eTool and the Contract Business Analysis Repository (CBAR) eTool is current and accurate and any changes are entered immediately.
- f. In coordination with the CMO Commander/Director, DCMAS Director of Cost/Pricing Division, or CACO/DACO Group Director, provide resources to support a CM team as specified in Section 4.2. of this Manual.
- g. Review and concur/non-concur the annual CM plan.
- h. Review and concur/non-concur the quarterly/annual CM report.
- i. 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.
- j. Ensure the ACO provides disposition memorandums to DCAA and all contributing functional specialists upon completion.

2.4. DIRECTOR, TECHNICAL DIRECTORATE, ENGINEERING DIVISION. The Director, Technical Directorate, Engineering Division will:

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

2.5. DIRECTOR, REGIONAL HUB OF COST AND PRICING CENTER . Assist the Director of Proposal Pricing in gathering the technical resources necessary to provide contingency support.

2.6. ENGINEERING AND MANUFACTURING GROUP CHIEF (EMGC), INTEGRATED COST ANALYSIS TEAM (ICAT) DIRECTOR. The EMGC and ICAT Director will:

- a. Manage resources (e.g., technical personnel and workload) to meet Technical Support to Indirect Costs (TSI) taskings.
- b. Maintain visibility of TSI requests and trends.
- c. Designate a TSI Coordinator.

2.7. TECHNICAL SUPPORT TO INDIRECT COSTS COORDINATOR. The TSI Coordinator is the focal point for receiving and managing TSI requests.

2.8. TECHNICAL SUPERVISOR OR TECHNICAL LEAD. The Technical Supervisor or Technical Lead will:

- a. Manage the workload of the assigned individuals.
- b. Assign technical specialists to TSI efforts.
- c. Review and approve technical reports and supporting documentation prior to release to requestor.
- d. Ensure completion of technical case file.

2.9. CIPR TEAM SUPERVISOR. The Supervisor of the CIPR Team will:

- a. Establish a schedule to support the FPRR/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.

SECTION 3: FORWARD PRICING RATES

3.1. DETERMINE WHETHER A FORWARD PRICING RATE RECOMMENDATION OR AGREEMENT AND COST MONITORING PROGRAM IS REQUIRED.

a. The ACO must determine whether an FPRR or FPRA and CMP must be established based on an assessment of contractor sales volume.

(1) The ACO must establish an FPRA or FPRR and CMP (see Section 4 of this Manual) for all contractors whose sales to the Government, during the contractor's next CFY, are expected to exceed \$200 million.

(a) Sales to the Government during the next CFY are determined by the ACO in accordance with DFARS PGI 242.302(a)(s-75)(c)(1)(i)(A). An exception exists where the ACO makes a written determination that the contractor will not have a significant volume of negotiated Government contract proposals in future periods.

(b) A CMO Contracts Director, a CACO/DACO Group supervisor, or a DCMAS DACO supervisor must provide written concurrence or nonconcurrence to the ACO's written determination not to establish an FPRR/FPRA and CMP for a contractor with more than \$200 million expected Government sales in the next CFY.

(2) The ACO may establish an FPRR or FPRA and CMP (see Section 4 of this Manual) even if the contractor does not meet the criteria for a mandatory FPRR or FPRA and CMP when there is a significant volume of negotiations, customer demand, or a contractor request.

(a) In determining whether to establish an FPRR or FPRA and CMP, the ACO should consider whether the benefits to be derived from an FPRR or FPRA are commensurate with the effort to establish and track an FPRR or FPRA in accordance with FAR 42.1701(a).

(b) A CMO Contracts Director, a CACO/DACO Group supervisor, or a DCMAS DACO supervisor must serve as approval authority over any ACO written determination to establish an FPRR/FPRA and CMP for a contractor with less than \$200 million expected Government sales in the next CFY.

(3) 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 such as the contractor's business system status at the time to assist the customers in developing a rate position for negotiation.

b. If the ACO makes a determination that an FPRR/FPRA and CMP (see Section 4 of this Manual) is required or permitted, then the FPRR/A record must be created in the FPRA eTool application. A determination that meets the criteria of paragraphs 3.1.a.(1) or 3.1.a.(2) of this section to require approval from a CMO Contracts Director, a CACO/DACO Group supervisor, or a DCMAS DACO supervisor must be documented in a memorandum and stored, in

accordance with DCMA-INST 809, “Records Management,” in the Agency-approved filing system.

3.2. OBTAIN CONTRACTOR’S PROPOSAL AND REVIEW FOR ADEQUACY.

a. The ACO will obtain the contractor’s FPRP and require that the cost or pricing data in the proposal meet FAR 42.1701(b) requirements for accuracy, completeness and currency. However, the ACO will not require certification at the time of agreement for data supplied in support of an FPRA or other advance agreements. When an FPRA or other advance agreement is used to price a contract action that requires a certificate, the certificate supporting that contract action must cover the data supplied to support the FPRA or other advance agreements and all other data supporting the action in accordance with FAR 15.407-3(c).

b. The ACO must determine whether data supporting the FPRP is submitted in a form acceptable to the ACO in accordance with FAR 15.403-5(b)(3). The ACO must use the “Contractor Forward Pricing Rate Proposal Adequacy Checklist” linked in the resource page to determine whether the contractor’s FPRP is adequate for the Government to conduct an evaluation. 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 forward pricing rate proposal in accordance with DFARS 215.403-5. The checklist will be retained as part of the official file. The proposal must contain:

(1) An explanation of how the rates were derived for each of the out-years so that reasonableness can be determined. For example, flat-lining of the out-year rates with no explanation of why the rates do not change is not adequate. Adjustments to out-year pools and bases should be made based on reasonable sales forecasts and the contractor’s assumptions for changes to major groupings of costs (e.g., variable, semi-variable, and fixed).

(2) An appropriate level of documentation with supporting data provided by the contractor. This determination calls for an exercise of judgment by the ACO. The ACO must consider the specific contractor and pending contract awards in determining whether the contractor has provided documentation that adequately supports the contractor’s FPRP. For instance, a contractor may not develop detailed budgetary data because it is impractical for their organization. Also, it is common for a contractor to assert that historical costs are the most appropriate basis to estimate out-year rates. In these cases, the contractor should provide the necessary trend data with appropriate explanations to support a conclusion that historical costs are the most reasonable for forecasting out-year rates. The out-year projections must be supported by the contractor based on Long Range Plans/Strategic Plans.

c. If the ACO determines that the contractor’s proposal is inadequate based on the review stated in paragraph 3.2.b., the ACO must return the proposal to the contractor and request the contractor submit an adequate proposal. The request must identify the nature of the inadequacy so that the contractor will have sufficient information to be able to respond appropriately to the request. The ACO should consider whether the inadequacy in the submitted FPRP indicates a deficiency in the contractor’s estimating system. Where applicable, the ACO must document the

actions taken to obtain adequate cost or pricing data in accordance with FAR 15.404-2(d) and FAR 15-404-1(c)(2)(v).

3.3. CONDUCT PROPOSAL ANALYSIS.

a. The objective of the analysis is to ensure that the FPRR/FPRA is fair and reasonable in accordance with FAR 15.404-1(a).

b. The ACO must use cost analysis to evaluate the reasonableness of individual cost elements when cost or pricing data are required in accordance with FAR 15.404-1(a)(3) and (4). Cost analysis is the review and evaluation of any of the separate cost elements in a contractor's proposal to determine a fair and reasonable price or to determine cost realism, and the application of judgment to determine how well the proposed rates represent what the rates of the contract should be, assuming reasonable economy and efficiency in accordance with FAR 15.404-1(c)(1). The method of cost analysis that can be used by the ACO is included in the "Cost Monitoring Handbook." The handbook is linked in the resource page.

c. The ACO may use various cost analysis techniques and procedures to ensure fair and reasonable rates in accordance with FAR 15.404-1(c)(2). Such techniques and procedures include (but are not limited to) the determination of the following areas:

- (1) The contractor's basis of estimates are reasonable.
- (2) The supporting cost or pricing data are current, accurate, and complete as of the date of submission in accordance with FAR 42.1701(b).
- (3) The contractor's estimating practices comply with the contractor's disclosed or established cost accounting practices.
- (4) Projected business volume, allocation bases, and indirect costs are reasonable and consistent with contractor and customer business projections.
- (5) Rate computations are mathematically correct.
- (6) The proposal is in compliance with the cost principles and procedures in FAR 31.2 and DFARS 231.2 in accordance with FAR 31.103(a).
- (7) The contractor's FPRP is in compliance with, when applicable, the requirements and procedures in 48 CFR Chapter 99, Cost Accounting Standards in accordance with FAR 15.404-1(c)(2)(iv).
- (8) Reasonableness of cost or pricing data and the evaluation of cost elements in accordance with FAR 15.404-1(c)(2)(i):
 - (a) The necessity for, and reasonableness of, proposed costs, including allowances for contingencies.

(b) Projection of the contractor's cost trends, on the basis of current and historical cost data.

(c) Reasonableness of estimates generated by appropriately calibrated and validated parametric models or cost-estimating relationships.

(d) The application of audited or negotiated indirect cost rates, labor rates, and cost of money or other factors.

(9) The evaluation of the effect of the contractor's current practices on future costs. In conducting this evaluation, the ACO will ensure that the effects of inefficient or uneconomical past practices are not projected into the future in accordance with FAR 15.404-1(c)(2)(ii).

(10) The comparison of costs proposed by the contractor for individual cost elements with the following data is in accordance with FAR 15.404-1(c)(2)(iii):

(a) Actual costs previously incurred by the same contractor.

(b) Previous cost estimates from the contractor or from other offerors for the same or similar items.

(c) Other cost estimates received in response to the Government's request.

(d) Independent Government cost estimates by technical personnel.

(e) Forecasts of planned expenditures.

(11) The review of cost elements from the "should-cost" point of view, if applicable, to evaluate significant indirect cost elements in-depth, and identify and recommend corrective actions regarding inefficient and uneconomical practices in accordance with FAR 15.407-4(c).

d. The ACO will determine the need for audit and/or technical support (see Sections 4, 5, and 6 of this Manual).

(1) DCAA Audit:

(a) Request. The ACO, or the Cost Monitoring Specialist (CMS) delegated by the ACO, will request a DCAA audit when the contractor submits a rate proposal or updated rate position and the ACO or the CMS determines that the support from DCAA is necessary for negotiation. The ACO must tailor the audit requests to reflect the minimum essential supplementary information needed to conduct a technical, cost or pricing analysis in accordance with FAR 15.404-2(a)(1). If the ACO and/or the CMS determine that a DCAA audit is not necessary because they have the capability to conduct a thorough review, they should justify the decision in the Prenegotiation Objectives Memorandum (PNOM). While awaiting the results of the audit and if a delay in issuing the audit report is anticipated, the ACO and/or the CMS must

continue to analyze and develop a negotiation objective and proceed to establish an FPRR as a minimum.

(b) Receipt of a DCAA Audit.

1. Upon receipt of a DCAA audit report, the ACO must review the audit findings, determine whether the current FPRR or FPRA requires revision, issue a revised FPRR within 5 business days, and continue to work toward negotiating a FPRA if appropriate. In this case, the ACO can issue the FPRR with a memorandum for record (MFR) and the historical rate data, rather than with a PNOM. The DCAA position on FPRP must be reflected in developing the ACO's FPRR position. The ACO must address DCAA unsupported costs and unresolved costs in either the PNOM or Price Negotiation Memorandum (PNM).

2. If the ACO deviates from the DCAA audit position, the ACO will discuss these issues with the DCAA auditor to obtain a joint resolution. If a joint resolution cannot be reached on significant issues and DCAA's management requests DCMA management review of the ACO's position, DCMA review will be accomplished in accordance with BoR General Practice found on the main resource page of DCMA Instruction (DCMA-INST) 2201 prior to the issuance of the FPRR or FPRA. The ACO's PNOM must document all discussions with DCAA, mutual resolutions, and/or differences of opinion. If major issues are escalated to DCMA management to assist in their resolution, the MFR or PNOM must document the results and conclusions of this management review process.

(2) Reviews from other functional specialists, including but not limited to, DCMA Price/Cost Analyst, Should-Cost Reviews, pension/insurance reviews (see Section 6 of this Manual), engineering (see Section 5 of this Manual), industrial specialists, or legal review should be obtained where subject matter expertise is expected to be beneficial to the development of rates. The ACO must be responsible for determining the need for the reviews and audit.

(3) Program Office Support. Consultation with program offices may be needed to obtain input on program issues, such as expected work schedules and current status of contract awards to which the contractor may not be privy. This process should be followed to validate the accuracy and completeness of the contractor's proposed business base. The ACOs will review sales data and consider how Long Range Plan/Contractor Sales forecasts impact the indirect rate bases when recommending/negotiating FPR. ACOs must collect sales data by contacting customers. The ACOs must incorporate the result of this business base forecast review into their rate analysis.

(4) Agencies performing audits of FPRPs by foreign 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/FPRA file accordingly.

3.4. DOCUMENT AND REVIEW PRENEGOTIATION OBJECTIVES.

a. Preparation and Approval. The PNOM and MFR must be prepared and reviewed prior to negotiation of an FPRA or issuance of an FPRR in accordance with FAR 15.406-1(b).

(1) The ACO will use the PNOM to negotiate an FPRA and document the FPRR.

(2) The PNOM approval requirements must be in accordance with the BoR matrix.

(3) In case where the ACO issues an FPRR without cost analysis such as when DCAA issues an audit report, the ACO must issue a revised FPRR within 5 business days of the date the ACO receives the audit report. In that case, the ACO can issue the FPRR without a PNOM but with a MFR and the historical rate data. In this situation, the ACO must upload the MFR and historical rate data in CBAR. Within 90 calendar days from the FPRR date, the MFR must be replaced by a PNOM or ratified by a CMO Contracts Director, a CACO/DACO Group supervisor, or a DCMAS DACO supervisor when the ACO intends to issue another FPRR without a PNOM.

b. Format and Required Documentation. The ACO must use the PNOM format on this Manual's resource page and upload the signed and reviewed PNOM into CBAR through the FPRA eTool. The scope and depth of the documentation and analysis supporting the PNOM should be directly related to the dollar value, importance, and complexity of the contractor's overall rates and individual elements of cost. Also, the depth of the FPRR PNOM documentation depends on the stage at which the FPRR is developed. The PNOM must include, but is not limited to, the following documentation as appropriate:

(1) An affirmative statement that the ACO agreed or disagreed with DCAA audit report or other specialist, cost monitor (see Section 4 of this Manual), legal, engineering (see Section 5 of this Manual), pension/insurance (see Section 6 of this Manual, etc.) findings and recommendations. The ACO must demonstrate how such field pricing assistance, including audit, was used in establishing the recommended rates or negotiated rates in accordance with FAR 15.404-2(c).

(2) Rationale to support agreement or disagreement with any audit or other specialist's recommendation. The rationale must demonstrate that the ACO has considered all appropriate FAR, DFARS requirements, and interpretive guidance in DCMA Instructions and Manuals related to the issues raised or questioned by DCAA and other specialists (e.g., cost principles, cost accounting standards). ACOs must document their analyses to show that the rates are well supported. This documentation is required even when the ACO agrees with the contractor's proposed rates and even if a DCAA audit report is not received in time.

c. The ACO will invite the cognizant contract auditor and contracting officers having a significant interest to participate in developing a Government objective and in negotiations in accordance with FAR 42.1701(b). Documentation of the invitation must be kept in the ACO's file.

d. The ACO and reviewing officials must use the FPRR/FPRA Review Checklist, linked in the resource page, to confirm whether the ACO conducted the necessary review processes and

documented all processes. The FPRR/FPRA Review Checklist in this paragraph and Contractor Forward Pricing Rate Proposal Adequacy Checklist in paragraph 3.2.b.(1) must be included in the PNOM package.

e. The historical rate data template must be used in the PNOM by ACOs at CMP sites. The historical rate data template is linked in the resource page and must be uploaded in CBAR through FPRA eTool whenever there are changes in the negotiation position. The template can be adjusted as discussed in paragraph 4.2.a.(5) in this Manual.

3.5. ESTABLISH A FPRR OR NEGOTIATE RATES.

a. Based on proposal analysis, the ACO must issue an FPRR to be in effect until an FPRA is issued or another FPRR is issued. The FPRR must be issued within 30 calendar days of receipt of an adequate proposal and available at all times when rates are required.

b. The ACO should negotiate rates as soon as possible. Where supported by CM planned activities and/or an ICAT, the ACO should negotiate rates within 60 calendar days from receipt of an adequate proposal. Even if the ACO could not obtain support from cost monitors and/or an ICAT, the ACO should negotiate rates within 90 calendar days. An FPRR or FPRA 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.

c. The FPRA must establish specific terms and conditions covering expiration, application, and data submission requirements to facilitate monitoring validity of the rates. The agreement must provide for cancellation at the option of either party and must require the contractor to submit to the ACO and to the cognizant contract auditor immediate notice of any significant changes in cost or pricing data used to support the FPRA in accordance with FAR 42.1701(c).

d. If an FPRA that can be applied to all upcoming pricing actions is not achievable, the ACO may consider the use of an FPRA with expressly defined limitations (see FPRA template located on the resource page for this Manual). The limited FPRA is an FPRA that may apply to pricing actions under a certain dollar limit or to certain types of acquisitions like 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) Length of time; e.g., all negotiations with performance in calendar year 2XXX and 2XXX.

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

(3) Types of acquisitions; e.g., spare and repair parts, over and above pricing action, or overhaul and repair.

e. If an FPRA is not achieved, the ACO must unilaterally establish an updated FPRR. The FPRR should include the recommended rates and the specific bases to which the rates apply. The FPRR can be used for billing rates as well and the ACO must include mention of this in the FPRR memorandum.

f. The ACO will enter the details of the FPRR/FPRA in the FPR eTool application and in the CBAR eTool and update the data as appropriate. All documents uploaded in CBAR must be appropriately marked in accordance with DCMA-MAN 3301-08, "Information Security." See Section 7 of this Manual for more details.

3.6. DOCUMENT AND REVIEW PRICE NEGOTIATION MEMORANDUM (PNM) AND ISSUE RATE AGREEMENT.

a. The PNM must be prepared in accordance with FAR 15.406-3. The ACO must use the PNM template on the resource page of this Manual and upload the PNM to CBAR.

b. The PNM details must include the 11 elements listed at FAR 15.406-3, as well as:

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

(2) 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 rates at the time of negotiation.

c. When meeting BoR criteria, the ACO must obtain BoR review of the PNM in accordance with BoR General Practice found on the main resource page of DCMA-INST 2201. The ACO may request a waiver for PNM review in accordance with BoR General Practice found on the main resource page of DCMA-INST 2201. During the PNOM review process, the BoR may determine whether the waiver request should be granted or denied in order to expedite the establishment of a FPRA.

d. If agreement is achieved, the ACO must establish an FPRA in accordance with FAR 42.1701. An FPRA template is available on the resource page. The FPRA, whether full or limited, will include, but is not limited to:

(1) The agreed upon rates.

(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 in accordance with FAR 42.1701.

(4) Defined limits of the rates applicability if they are only agreed to be used for specific types of acquisitions (e.g., spare parts or 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 in accordance with 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 in accordance with FAR 42.1701.

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

e. If an FPRA is invalidated, the contractor should submit and negotiate 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 in accordance with FAR 42.1701(d).

f. The ACO may negotiate continuous updates to the FPRA. The FPRA will include specific terms and conditions covering notification, application, and data requirements for systematic monitoring to ensure the validity of the rates in accordance with FAR 42.1701(e). The continuous updates method of negotiating an FPRA can only be implemented where CMP is established and performed.

3.7. DISTRIBUTE RATE AGREEMENT, RATE RECOMMENDATION, AND NEGOTIATION MEMORANDUM.

a. The ACO must distribute a copy of the signed rate agreement to the contractor, enter required data into the FPRA eTool and CBAR, and confirm the accuracy of data in CBAR.

b. The ACO must distribute signed copies of the rate agreement and negotiation memorandum or rate recommendation to the cognizant DCAA auditor and all contracting offices that are known to be affected by the FPRA rates. The DoD customers will use the FPRA unless waived on a case-by-case basis by the head of the customer's contracting activity in accordance with DFARS 215.407-3.

c. Billing rates must be revised in accordance with FAR 42.704. The FPRA or FPRR used for the billing rates for the current year must be as close as possible to the final indirect cost rates anticipated for the contractor's fiscal period, as adjusted for any unallowable costs, to preclude

overbilling or underbilling. Once established, billing rates may be proactively or retroactively revised by mutual agreement of the ACO at either party's request to prevent substantial overpayment or underpayment. The elements of indirect cost and the base or bases used in computing billing rates must not be construed as determinative of the indirect costs to be distributed or of the bases of distribution to be used in the final settlement in accordance with FAR 42.704(d).

d. The ACO must ensure that rate documents are correctly marked with contractor proprietary markings and are marked "For Official Use Only." See Section 7 of this Manual for more details.

e. FPRRs will be provided to the contractor unless the contracting officer has documented the reason why release is not in the Government's best interest.

f. The ACO must ensure that the taxonomy used to identify the files will allow for clear identification and retrieval in accordance with DCMA-INST 809 in either an Agency-approved location, or in a location designated by a CMO Contracts Director, a CACO/DACO Group supervisor, or a DCMAS DACO supervisor. FPRA eTools and CBAR must be updated as well.

3.8. MONITOR RATES.

a. CM is conducted in accordance with Section 4 of this Manual; if an FPRA is established, it must be monitored and the monitoring process should be documented to ensure the validity of the rates regardless of whether a CMP is required. The CMS or assigned individual must invite the contractor to be a cost monitoring team (CMT) member. The ACO or designated CMS/assigned individual must establish a documented schedule to monitor the rates which includes the requirement to compare and analyze:

(1) The contractor's actual rates versus the FPRA or FPRR.

(2) Updated sales forecasts and changed base assumptions that affect the data used to establish the FPR or recommendations for the out-years.

(3) Any other reports the contractor will be required to provide the ACO to permit adequate rate monitoring (e.g., direct labor rates, indirect expenses, and sales forecasts).

b. An FPRR or FPRA may require frequent updates to remain accurate, complete, and current. An FPRR or FPRA may require revision:

(1) When contractors are required to submit certified cost and pricing data in support of contract and contract modification proposals, they are certifying that their FPRP rates are current, accurate, and complete as of the date of submission. Common reasons why contractor FPRPs are revised include changes in the business base forecast, internal/external restructuring, accounting changes, union negotiations/contracts, actual salary/wage increases, cost reduction initiatives, mergers, acquisitions, and/or the review of actual incurred, allowable costs.

(a) Upon receipt of a contractor FPRP, the ACO must perform a preliminary review of the updated rate estimates to determine if the current FPRR or FPRA needs to be revised in order to protect the Government's interest. If the rates require revision, the ACO will formulate a revised FPRR or FPRA position, and document that position within a PNOM. It is prudent to request DCAA audit, when possible, regarding proposed FPRR or FPRA revisions.

(b) The ACO will then proceed with an in-depth review of the proposal.

(2) As a result of CM activities, including monitoring of the contractor actuals and allowable 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. If the ACO determines that a changed condition invalidates the agreement, the ACO must notify all interested parties of the extent of its effect and the status of efforts to establish a revised FPRA. If rates require revision, the ACO decision and resulting updated rates must be documented within a PNOM. If rates do not require revision, the ACO's review and decision not to update the current FPRR or FPRA will be documented, and this written documentation must be maintained in the CM workload files or contract file if data is classified.

(3) Upon receipt of a DCMA Overhead Should-Cost report, the ACO must determine whether to revise the current FPRR in order to coincide with the Overhead Should-Cost recommended rates. Subsequently, FPRR rates should be updated again as DCMA Should-Cost findings are resolved in accordance with DFARS PGI 215.407-4. Where there is an FPRA in place, the ACO must attempt to negotiate a revised FPRA, considering the results of the Should-Cost Review.

(4) Upon receipt of an FPRR or FPRA position that addresses the costs allocated from other contractor business segments, service centers, and/or corporate entities, the ACO must review the position and establish a FPRR, if necessary, within 14 business days reflecting the FPRR or FPRA received. Then, the ACO will proceed to negotiate a revision to the FPRA. If the ACO detects deficiencies in the FPRR or FPRA position, the ACO will discuss these issues with the ACO counterparts who provided the position. If a joint resolution cannot be attained on significant issues, the issue will be elevated to the Director, CACO/DACO Group for final resolution. The ACO's PNOM must document all discussions, mutual resolutions, and/or differences of opinion.

SECTION 4: COST MONITORING

4.1. DETERMINE WHETHER CMP IS REQUIRED. See Section 3.1. of this Manual.

4.2. PREPARE CM PLAN.

a. Develop CM Plan. Once the ACO determines to establish the CMP for a contractor, a CMS with the assistance of the functional specialists must develop the CM plan annually. The CM plan is a strategy for monitoring, reviewing, negotiating, and approving contractor's direct and indirect rates, business systems, corrective actions to deficient processes, and cost controls by coordinating the capabilities of DCMA, DCAA, and other Government representatives in an effort to reduce unreasonable, erroneous, or improper costs to Government contracts in accordance with DFARS PGI 242.302(a)(S-75)(d)(1);

(1) The CM plan should address the following in accordance with DFARS PGI 242.302(a)(S-75)(d)(2):

(a) Provide coverage for each significant activity of the contractor over a period of 5 to 10 years.

(b) Provide coverage for contractor future years dependent on the period of forward pricing years the contractor proposes and the expected length of executed Government programs.

(c) Be updated to reflect changed conditions as the year progresses.

(d) Be consistent with the approved schedule, and any deviations should be explained in the final CM report.

(2) The CM plan must identify the organizations having the primary responsibility for performing the reviews in accordance with DFARS PGI 242.302(a)(S-75)(d)(2)(ii). The CM plan identifies the:

(a) Functional support required from inside or outside activities;

(b) Functional lead and supporting resources for each review area; and

(c) Organizations having the primary responsibility for performing the review.

(3) 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) makes the DCAA auditor responsible for leading estimating system reviews on behalf of the ACO in accordance with DFARS PGI 242.302(a)(S-75)(d)(2)(iii).

(4) Risk Assessment. It is critical to perform 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. During the risk assessment, the CMS must consider and document the following elements in CM plan:

(a) A description of the corporate structure and the relationship of the business unit to legal entities to which it reports and entities that report to it.

(b) A summary of the business unit's major products and customers in the context of the larger corporation.

(c) An organization chart for the business unit's top management.

(d) The history of sales and projected sales pertaining to each major U.S. Government customer and the percentage of fixed price versus flexibly priced work.

(e) A narrative summary of significant issues for each year (i.e., accounting changes, major contract awards, mergers, strikes, and major economic changes).

(f) Any information unique to the contractor that would be important to know prior to award of a contract.

(5) Functional Specialist Reviews. The CM plan requires participation of the functional specialists for all CM phases.

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

(b) The CMS must document the coordination with DCAA for planned activities to preclude the duplication of effort.

1. In preparation of a CM plan, the ACO should have discussions with DCAA about the assistance that they can provide by performing portions of the CM plan and related analyses in accordance with 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 in accordance with FAR 15.404-2(a)(1). The FPRR/FPRA Review Checklist should 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. By July 1st, 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 "agreed to" plan

and timing must be included in the CM plan. The coordination with DCAA should be based on the updated risk assessment which is the result of continuous CM activities.

(c) The CMS should document each planned functional review using the information memorandum format and address the following:

- Objective
- Problem statement
- Background
- Names of personnel assigned to lead and support the review
- Planned start date, duration, and completion date

(6) FPRR/FPRA Development. The CM plan must include a strategy for reviewing, negotiating, and monitoring estimated costs or rates such as indirect overhead rate expense pools, bases, direct labor pools, and other rates and factors.

(a) The CM plan must require a test of the validity of the current FPRR/FPRA on a periodic basis, but not less than quarterly. The CMS must identify significant high dollar/volume or sensitive item indicators for tracking and compare the actual costs with the estimated costs by significant overhead cost elements. The CMS must also identify significant business base and pool estimates for out-year rates (typically 3 to 5 years) and evaluate all current information that may have an impact on the out-year estimates, such as new contracts or cancelled contracts and their impact on the out-year base estimates. The CMS must use variance analyses to explain the differences between actual and estimated costs and address any significant variance with the contractor. The CMS and the contractor should develop thresholds for significant variances. In the absence of agreement with the contractor to identify the impact due to rate changes, the CMS may consider using before and after wrap rates also called fully burdened labor rates, which include the contractor's direct labor wage rate, overhead costs rate and other cost rates. If the contractor fails to take timely corrective action for any unjustified variances, the CMS must recommend that the ACO cancel the FPRR/FPRA, modify the FPRR/FPRA in part, or establish a new FPRR/FPRA.

(b) In the preparation of the CM plan for FPRR/FPRA development, the ACO should use the FPRR/FPRA Review Checklist which is located in the resource page as a planning tool to identify the cost analysis procedures considered necessary based on the risk assessment stated in paragraph 4.2.a.(4). The CMS and ACO should have discussions with functional team members, including DCAA and other functional specialists, about the magnitude and complexity of the required procedures and should assign each procedure to the responsible functional team member in accordance with DFARS PGI 242.302(a)(S-75)(c)(3) and the risk assessment. The plan should include a preliminary milestone plan identifying the timing required for cost analysis to be completed to support the establishment of the FPRR/FPRA.

(c) The ACO/CMS must coordinate with DCAA and other functional team members to determine the monitoring procedures DCAA or DCMA will perform during the CM process. The result of the agreement will be included in the CM plan. The work performed by the CMS

and information submitted to DCMA by the contractor should be shared with DCAA, in order to eliminate duplication in monitoring of contractor's costs.

(d) 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. If DCAA makes a determination that an audit of the FPRP (not an audit of individual accounts) is necessary 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.

(7) Final Overhead Rates Settlement. The CM plan must list the contractor final overhead rates to be settled during the period (DCMA-MAN 2201-03, "Final Indirect Cost Rates").

(8) Rate Monitoring Strategy. The CM plan must identify the rate monitoring activities that will be performed on a routine basis during the next reporting period.

(9) 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 have not been evaluated within the past 3 years, the CM plan must include a strategy for performing current reviews and pursuing the process for approving or disapproving the systems in accordance with DFARS 242.70 and DCMA-MAN 2301-01, "Contractor Business Systems." This strategy should be coordinated with DCAA because 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.

(10) Cost Accounting Standards (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.

(11) Independent Research and Development/Bid and Proposal (IR&D/B&P). The CMS must conduct a separate review in conjunction with the FPRP review to determine whether proposed IR&D/B&P costs are limited to those for projects that are of potential interest to DoD, including activities stated in DFARS 231.205-18(c). The CMS must also provide the ACO with any relevant information as to whether the contractor complied with the DFARS 231.205-18(c)(iii)(C) requirement to report certain IR&D costs to Defense Technical Information Center

(DTIC). For a major contractor's annual IR&D costs to be allowable, the IR&D projects generating the costs must be reported to DTIC. If the CMS determines that the technical support is necessary, the request for technical support must be made in accordance with Section 5 of this Manual.

(12) Advance Agreements. The CMS must review the strategy, purpose, and intended outcome for entering into, amending or monitoring advance agreement(s) during the reporting period in accordance with FAR 31.109.

(13) Contractor Cost Reduction or Savings Initiatives. The CMS must review the contractor's strategy for influencing and monitoring cost reductions or savings initiatives to ensure that associated cost reductions or savings are included in the FPR.

b. Selecting CM Activities. The CMS selects the activities for the CM plan in consultation with the ACO. To ensure all Government interests are considered in the selection, the CMS should invite ACOs, DCAA, and other interested Government representatives to a meeting before the beginning of each Government fiscal year to identify and prioritize the areas to be reviewed during the coming year to ensure a fully communicated Government CM plan. The CMS should consider the following data and assign primary responsibilities in the selection process in accordance with DFARS PGI 242.302(a)(S-75)(d)(3)(ii):

(1) Contractor forecasts for the coming years supporting direct and indirect costs by functional centers of its cost control system and the results of the latest survey performed of such systems.

(2) Organizational charts for the contractor's entire operation.

(3) Outline of the contractor's accounting system showing the flow of costs by function.

(4) Determination of Government participation in the dollars attributable to the operations and cost accounts under consideration.

(5) List of recent reviews and/or audits performed by DCMA, DCAA, and other Government representatives; list should show outstanding weakness and deficiencies in the contractor's operations that will be considered for follow-up reviews or audits.

(6) Evidence of contractor under-or over-staffing.

(7) Significant departures from established contractor productivity standards.

(8) Major financial variances from forecasts in prior years.

(9) Evidences of idle or under-used capacity.

(10) Visits or audit plans scheduled by other Government organizations and identified to the CMS.

(11) Significant information or business changes which could have an adverse effect or cause a significant change to the contractor's management of contract costs.

c. Prioritizing CM Plan. The CMS should prioritize the CM plan, based on a risk analysis, to review the contractor activity by considering in accordance with DFARS PGI 242.302(a)(S-75)(d)(4)(i);

- (1) The extent of competition in awarded contracts.
- (2) The contractor's operating methods.
- (3) The nature of the work.
- (4) Acquisition cycle stage.
- (5) Business and industry practices.
- (6) Types of contracts involved.
- (7) Degree of technical and financial risk.
- (8) Previously reported findings and deficiencies.
- (9) Ratio of Government/commercial work.
- (10) Significant changes in the level (dollars) of the contractor's work and backlog.
- (11) The extent performance efficiencies have been previously demonstrated.

d. Establish CM Team. The ACO must establish a CM team based on the approved CM plan and staffing resources approved by the CMO Commander/Director, the CACO/DACO group director, or DCMAS director of cost/pricing division.

(1) The CM team is a group of functional specialists under the leadership of the ACO. The team membership must include the ACO and CMSs along with other support personnel as identified in the CM plan. The ACO can add other CM team members as needed to support CM activity, special reviews, or efforts performed outside of the CM team to review high-risk areas.

- (2) 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 for review no later than October 22nd.

(2) The ACO must submit the CM plan to the CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor through the CACO, if applicable, for review and approval no later than November 1st.

(3) The CMO Commander/Director, the CACO/DACO group director of cost/pricing center or DCMAS director of cost/pricing division must concur or Non-concur the CM plan within 15 calendar days of the submission, but not later than November 16th.

f. CM Plan Template. The resource page contains a link to an annual CM plan template to assist in the preparation of the annual CM plan.

4.3. CONDUCT CM ACTIVITIES.

a. **Review and Analysis Responsibilities.** The CM team must conduct CM in accordance with the CM plan in accordance with DFARS PGI 242.302(a)(S-75)(d)(6);

(1) The functional specialists and DCAA auditor perform functional reviews and audits as scheduled in accordance with the CM plan.

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

(3) 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.

(4) 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.

(5) The CMS must utilize the historical rate data template to record the changes in elements affecting FPR; DCMA Memorandum #14-182, "Contract Business Analysis Repository (CBAR) Templates." The template is located on the resource page. The template must be loaded in CBAR and kept current to reflect changes in rate structures. If the CMS cannot use the template because the contractor's rate structure is significantly different from the rate structure embedded in the template, the CMS may develop or change the format of the workbook. The change of format or development of a new format must be approved by the CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor. When disclosure to the public of data in the template would be expected to cause a foreseeable harm to an interest protected by one or more provisions of the Freedom of Information Act (FOIA), a protective marking – "For Official Use Only" (FOUO) – should be applied to the template. See Section 7 of this Manual for more details.

b. The CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor will ensure that the CM activities are executed as planned. If the CM activity requires

a BoR as part of the approval process, refer to BoR General Practice found on the main resource page of DCMA-INST 2201.

c. The CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor must review and concur or Non-concur any amendments or deviations to the CM plan.

4.4. PREPARE COST MONITORING REPORT.

a. Prepare Quarterly CM Report.

(1) The quarterly CM report is a culmination of the Government activities performed during the preceding quarter. The purpose of Quarterly CM 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 Quarterly CM also helps the ACO continue preparing the annual CM report.

(2) The quarterly CM report must be in the same format as the annual CM report. The quarterly CM report must be cumulative from the first quarter leading to the final annual CM report. If the CFY is not the same as the Government's fiscal year, the CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor, may require the quarterly report in line with the end of the CFY to be prepared with the same detail as an annual CM report.

(3) Submission and approval of quarterly CM report.

(a) The CMS will prepare the quarterly CM report and submit it to the ACO review no later than 10 calendar days after the end of the quarter.

(b) The approval process for quarterly CM reports is at the discretion of the CMO Commander/Director, DCMAS director of cost/pricing division, or CACO/DACO group director. The approval process can be delegated to the CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor. The approval/disapproval of quarterly CM report must occur within 21 calendar days after the end of the quarter.

(c) A quarterly CM report is not required for the fourth quarter of the Government's fiscal year.

(4) The resource page contains a link to an annual CM report template to assist in preparation of the quarterly 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 in an effort to conduct and maintain a formal monitoring

program of contractor policies, procedures, and practices for controlling costs charged to Government contracts; in accordance with DFARS PGI 242.302(a)(S-75)(e)(1).

(2) Contents of the Report. The annual CM report should include in accordance with DFARS PGI 242.302(a)(S-75)(e)(2):

(a) A brief introduction of the contractor and the products and/or services it provides to the Government.

(b) A summary of each functional review and DCAA audit completed during the reporting period along with any deviations from the CM plan. The summary needs to include confirmation that the results of all functional reviews and DCAA audits are being addressed.

(c) Details of functional reviews that were not completed during the reporting period and justification as to why they were not completed.

(d) Highlights of open deficiencies, corrected deficiencies, and any newly reported deficiencies.

(e) The current status of all final, billing, and FPRs.

(f) Summary and reference of DCAA audit reports related to CM activities.

(g) Details of all FPRAs and FPRRs made during the period and any significant impediments to rate negotiation. The CMS must identify significant business base and pool estimates for out-year rates (typically 3 to 5 years) and evaluate all current information that may have an impact on the out-year estimates.

(h) Details of all advance agreements signed, modified, or canceled during the period; FAR 31.109.

(i) A list of CFY overhead rates settled during the period and any significant issues.

(j) All attempts to incorporate cost reduction or savings activities into the FPRR/FPRA and the impact of the activity on rates and factors.

(k) Any significant impacts to Acquisition Category (ACAT) I programs during the reporting period based on the rate monitoring activities and functional reviews.

(l) The current status of each business system and whether it is approved or disapproved and the last time it was audited or reviewed.

(m) The current status of CAS disclosure statement audits and any open issues relating to the CAS.

(n) The results of the IR&D and B&P review for the reporting period.

(3) Submission and approval of annual CM report. In accordance with DFARS PGI 242.302(a)(S-75)(e)(3):

(a) The CMS must submit the annual CM report to the ACO for review no later than October 31st.

(b) The ACO must submit the annual CM report to the CMO Contracts Director, DCMAS DACO supervisor, or CACO/DACO group team supervisor through the CACO if applicable, for review and approval/disapproval of the annual CM report no later than November 10th.

(c) The CMO Commander/Director, the CACO/DACO group director of cost and pricing center or DACO supervisor of DCMAS must concur or Non-concur the annual CM report no later than November 29th and verify whether the ACO provides a copy of the approved annual CM report to the cognizant DCAA office within 15 calendar days of approval.

(4) The resource page contains a link to an annual CM report template to assist in the preparation of the annual CM report.

SECTION 5: TECHNICAL SUPPORT TO INDIRECT COSTS

5.1. TECHNICAL SUPPORT TO INDIRECT COSTS REQUESTS. TSI is performed for any technical analysis of a contractor's FPRP. TSI activities include Business Base, IR&D, Cost Estimating Relationship (CER), Cost Reduction Initiative (CRI) and Facilities Cost technical analyses. TSI activities are also performed in support of DCMA CM efforts. For some CMTs, it may be beneficial to assign a Technical Specialist to serve as a key member of the CMT to perform technical analyses as scheduled in a CM plan. 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 found on the resource page of the Manual.

5.2. RECEIVE AND COORDINATE TECHNICAL SUPPORT TO INDIRECT COSTS 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 not received via the agency authorized capability will be routed to the TSI Coordinator and the TSI Coordinator will create a record for the TSI effort utilizing the agency authorized capability. .

(1) 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.

(2) Receipt Confirmation of TSI Request. The TSI Coordinator must 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 must 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 are in agreement regarding the scope of the effort and to establish expectations regarding the TSI process.

c. TSI Request Documentation. The TSI Coordinator must document receipt of TSI requests and confirmation of requests in the technical case file.

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:

(1) Track TSI receipt date, Technical Specialist acknowledgement date, TSI due date and date the final report was sent to the requestor.

(2) Provide information to internal/external customers on TSI status when requested.

5.3. REVIEW TECHNICAL SUPPORT TO INDIRECT COSTS 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, 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 Section 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.

c. Changes to Requested Due Date. If the requested due date cannot be met, a revised due date will be coordinated with the Technical Specialist, Technical Supervisor/Lead and the requestor.

d. Deviation from Original Request. If deviations from the requested TSI analysis scope are required, the revised scope will be coordinated with the Technical Specialist, Technical Supervisor/Lead and the requestor.

e. Send Acknowledgement of TSI Request. When only one Technical Specialist is assigned to perform a TSI review, the Technical Specialist will send an acknowledgment letter/email accepting the scope of work and due date to the requestor and TSI Coordinator. When more than one Technical Specialist is assigned to perform a TSI review, the primary individual will communicate with the other Technical Specialists and send an acknowledgment letter/email accepting the scope of work for all the Technical Specialists and agreed-to due date to the requestor and TSI Coordinator. The Technical Specialist will document acknowledgement in the case file (see Section 5.7.).

5.4. PERFORM TECHNICAL SUPPORT TO INDIRECT COSTS 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 Cost Monitors with requested technical analysis results.

a. Proposal/Data Walk Through. The Technical Specialist must 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 proposal in accordance with FAR 15.404-2. This review should allow adequate time to request additional information from the contractor. Per local guidance, 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 POC 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) Request for Information. When RFIs are used, 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 acknowledgement letter/email. 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) 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.

(2) 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.

(3) Perform Technical Analysis of CERs. The Technical Specialist must ensure that contractor CERs are fair and reasonable. Technical analysis must ensure:

(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 specified.

(e) Conditions of use specified, including deviation process.

(4) Perform Technical Analysis of Proposed Contractor Cost Reduction Initiatives. 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 cost reduction initiatives have resulted in cost savings. As part of an FPRP evaluation, the Technical Specialist will evaluate contractor cost reduction initiatives in order to assess their cost on applicable FPRP cost pools and bases.

(5) 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. If an extension to the 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 rationale must be documented, identifying all acknowledgment and extension dates in the pricing case. The extension must be agreed to by the requestor and documented.

e. Case File Documentation. The Technical Specialist must document working papers consistent with the technical case file index (available on the Resource Page).

5.5. PREPARE TECHNICAL SUPPORT TO INDIRECT COSTS 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 acknowledgement letter/email. 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 procedures for TSI report formatting.

(1) Content. At a minimum, the Technical Specialist must include:

- (a) Proposal description and number.
- (b) Analysis requested.
- (c) Executive Summary with table summarizing technical analysis results and recommendations.
- (d) Scope and limitations of the TSI Analysis.
- (e) Detailed results by proposal elements to include:
 - Proposed information (contractor's estimate)
 - Analysis and results leading to Technical Specialist's position
 - Recommended government position
- (f) Documents/reference material used in Technical Specialists analysis.
- (g) Offer to support negotiations.
- (h) Restrictions.

(i) Signature block.

(2) Document Deviations from Request. The Technical Specialist must document any agreed-to deviations from the original request.

(3) Apply Proper Markings. All technical reports and other relevant documents containing 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 FOIA, a protective marking “For Official Use Only” should be applied to such record. Higher classification markings shall be properly used in accordance with applicable security procedures, guidelines, and regulations for reports that contain classified data. Such protective marking should be applied to the title page, the first page, the outside of the back cover (if there is one) and each internal page of the pertinent documents and material, including information in electronic form. Add “Source Selection Information,” if required, pursuant to FAR 3.104-4, “Disclosure, Protection, and Marking of Contractor Bid or Proposal Information and Source Selection Information.”

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 Section 5.7. for creating a technical case file).

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. 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 acknowledgment letter/email.

(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 Technical Specialist will send the TSI report and supporting documentation to the requestor.

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 will close completed cases in agency authorized capability for managing pricing and technical pricing.

5.6. PROVIDE NEGOTIATIONS 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 TECHNICAL SUPPORT TO INDIRECT COSTS SUPPORT. The technical case file must contain all documents and correspondence used, or referenced in the response to the requestor of the field pricing assistance. The case file must include a completed Case File Documentation Checklist and a Case File Index located in the Resource Page.

SECTION 6: CONTRACT INSURANCE/PENSION REVIEW

6.1. DETERMINE THE NEED FOR A CONTRACTOR INSURANCE/PENSION REVIEW.

a. An in-depth CIPR as described at 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 in accordance with 10 U.S.C. 2306a, "Cost or Pricing Data: Truth in Negotiations," 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 in accordance with DFARS 242.7302(a)(1)(ii).

b. Special CIPR that concentrates on specific areas of a contractor's insurance programs, pension plans, or other deferred compensation plans must be performed for a contractor including, but 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 in accordance with 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.
- (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, 415, and 416.
- (5) Corporate external or internal restructuring that triggers changes to current allocation methods.
- (6) Business unit closings.

e. **Mandatory Self-Insurance Program Review.** A mandatory 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. **External Customer Request.** This refers to a request for a review of indemnification for unusually hazardous or nuclear risk activities pursuant to FAR 50.104-3. The ACO will forward these requests to the CIPR Center. The CIPR Center will perform CIPR reviews for external customers in accordance with DCMA Policy-type Memorandum 18-001. The CIPR Center will provide a report directly to the external customer.

6.2. REQUEST AND PLAN A CONTRACTOR INSURANCE/PENSION REVIEW.

a. Request a CIPR by sending an email to the CIPR Center. The email address for the center is located at the resource page.

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

6.3. DISPOSITION CONTRACTOR INSURANCE/PENSION REVIEW FINDINGS.

a. The ACO or cost monitor will consider for incorporation, the recommendations of the CIPR Center into a PNOM, as appropriate. The ACO will submit the PNOM for supervisory review and concurrence. Failure to agree with the recommendation of the CIPR Center may require a BoR in accordance with BoR General Practice found on the main resource page of DCMA-INST 2201.

b. Upon conclusion of negotiations, the ACO drafts the PNM and submits for supervisory review and concurrence.

c. The ACO must ensure that rate documents are correctly marked with contractor proprietary markings and are marked “For Official Use Only.” See Section 7 of this Manual for more details.

d. The ACO or cost monitor will retain the CIPR report, as part of the process it supports, in a filing location designated by the Agency. See Section 7 of this Manual for more details.

e. The ACO must disposition audit report findings in accordance with DCMA-MAN 2201-04, “Contract Audit Follow-Up.”

SECTION 7: RETENTION OF RECORDS

7.1. REQUIREMENT TO ESTABLISH FILES.

a. The CMO Commander/Director, CACO/DACO group director, or DCMAS DACO supervisor must ensure that files are established and contain the official contract records for actions taken regarding FPR, CM, TSI, and CIPR. The ACO must review DCMA's policies and procedures regarding the requirement to establish files containing the official records of all contractual actions as they relate to FPR, CM, TSI, and CIPR in accordance with FAR 4.801(a).

b. The documentation in the file must, in accordance with 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.

d. CM files should include documents supporting CM reviews to include: cited conditions, causes and effects, the analyst's conclusions, and all contractor correspondence. Additionally, the CMS should place electronic official files in the Agency-approved document repository for FPRAs reviews, FPRAs negotiations including a record of all FPRAs (current and historical), FPRRs (current and historical), and final overhead rates. The file will include all historical and currently forecasted direct and indirect rates, pools, and bases. Additionally, the file will include all actual rates, pools, and bases after closeout of the CFY. Further, the files will contain historical and projected headcount information identified as direct, indirect, and total headcount. If a file does not exist currently at a contractor's location, the CMS will collect data for the last 5 years, as available, and create a record. The CMS will update and continually maintain the file.

7.2. STORAGE, HANDLING AND DISPOSAL. According to the DCMA Records Schedule linked in DCMA-INST 809 that prescribes procedures, as required by FAR 4.805, the records related to implementation of price/cost and financial analysis, and contractor systems reviews must be retained for a minimum of 6 years and 3 months after completion of the contract, final payment, termination of the program effort, or settlement of disputes/incidents, whichever is later. Retention of file documentation is the responsibility of the ACO.

7.3. RECORDS MANAGEMENT SYSTEM. DCMA-INST 809 provides 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.

7.4. PROTECTING CLASSIFIED AND CONTROLLED UNCLASSIFIED

INFORMATION. Protecting information is critical and integral when conducting the processes associated with this Manual. DCMA personnel are responsible for protecting classified and Controlled Unclassified Information entrusted to them. DCMA personnel must take prudent steps to ensure final disposition of classified and Controlled Unclassified Information per DCMA and DoD policy. These procedures vary based on the type, access, and nature of the material involved. Refer to the DCMA-MAN 3301-08 for guidance in the control, transmission, destruction, and storage of such material.

GLOSSARY

G.1. DEFINITIONS. Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

ACO. ACO refers to a contracting officer who is administering contracts. ACO does not (1) require that a duty be performed at a particular office or activity, or (2) restrict in any way a contracting officer in the performance of any duty properly assigned in accordance with FAR 2.101. In this Manual, ACO includes CACOs, DACOs, and ACOs. CACO or DACO is used if the action is unique to these specific types of ACOs.

Billing Rates. 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 in accordance with FAR 42.701.

CER. 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 measureable relationship with contract cost or price establishes a CER.

Cost Objective. 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. in accordance with FAR 31.001.

Direct Cost. 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 in accordance with FAR 2.101.

Final Cost Objective. 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 in accordance with FAR 31.001.

FPRA. 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 in accordance with 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 administrative contracting officer for use by the Government in negotiations or other contract actions when forward pricing rate agreement negotiations have not been completed or when the contractor will not agree to a forward pricing rate agreement. in accordance with 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 in accordance with FAR 31.001.

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 in accordance with FAR 2.101.

GLOSSARY

G.2. ACRONYMS.

ACO	Administrative Contracting Officer
BoR	Boards of Review
CACO	Corporate Administrative Contracting Officer
CAS	Cost Accounting Standards
CBAR	Contract Business Analysis Repository
CER	Cost Estimating Relationship
CFY	Contractor Fiscal Year
CIPR	Contractor Insurance/Pension Review
CM	Cost Monitoring
CMO	Contract Management Office
CMP	Cost Monitoring Program
CMS	Cost Monitoring Specialist
CMT	Cost Monitoring Team
CRI	Cost Reduction Initiative
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
DCMAS	DCMA Special Programs
DFARS	Defense Federal Acquisition Regulation Supplement
DFARS PGI	DFARS Procedures, Guidance, and Information
DTIC	Defense Technical Information Center
EMGC	Engineering and Manufacturing Group Chief
FAR	Federal Acquisition Regulation
FOIA	Freedom of Information Act
FPR	Forward Pricing Rates
FPPA	Forward Pricing Rate Agreement
FPRP	Forward Pricing Rate Proposal
FPRR	Forward Pricing Rate Recommendation
ICAT	Integrated Cost Analysis Team
IR&D/B&P	Independent Research and Development/Bid and Proposal
IT	Information Technology
MFR	Memorandum For Record
PNM	Price Negotiation Memorandum

PNOM	Prenegotiation Objectives Memorandum
POC	point of contact
RFI	Request for Information
TSI	Technical Support to Indirect Costs

REFERENCES

Code of Federal Regulations, Title 48, Chapter 99
DCMA-Instruction 809, "Records Management," May 1, 2011
DCMA Instruction 2301, "Contractor Effectiveness," January 24, 2019
DCMA Manual 2201-03, "Final Indirect Cost Rates," TBD
DCMA Manual 2201-04, "Contract Audit Follow Up," TBD
DCMA Manual 2301-01, "Contractor Business Systems," TBD
DCMA Manual 3301-08, "Information Security," January 21, 2019
DCMA Memorandum #14-182, "Contractor Business Analysis Repository (CBAR) Templates,"
May 30, 2014
DCMA Policy-type Memorandum 19-003, "Workload Acceptance," January 25, 2019
Defense Finance ARS 215.404-71-5
DFARS 215.407
DFARS 231.2
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DFARS 244.301
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DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
FAR 2.101
FAR 3.104-4
FAR 4.801(a)
FAR 4.801(b)
FAR 4.803
FAR 4.805
FAR 5.4
FAR 28.308
FAR 31.001
FAR 31.103(a)
FAR 31.109
FAR 31.205-18
FAR 31.205-17
FAR 31.205-25
FAR 42.701
FAR 42.704
FAR 42.704(d)
FAR 42.1701
FAR 50.104-3
United States Code, Title, 10, Section 2306(a)