

Contract Financing
Brief Overview and Insight

(Dec. 2015)



by Jason Rathsack
Contractor Update 12/10/2015

DISCLAIMER: The views expressed are not necessarily representative of DCMA. I am here to present on behalf of NCMA, Wisconsin Chapter. Although much of the information contained within is public knowledge, any opinions expressed are those of the presenter alone. If you have any questions, feel free to contact Jason Rath sack at visn12jr@gmail.com

Agenda

- A. Contract Financing – What is it?**
- B. Progress Payments**
- C. Performance Based Payments**
- D. Is your contract eligible? Are you eligible?**

Time Permitting: Commercial Item Financing

Contract Financing – What is it?

Invoice Payment, means a Government disbursement of monies to a contractor under a contract or other authorization for supplies or services accepted by the Government.

Contract Financing Payment, means an authorized Government disbursement of monies to a contractor prior to acceptance of supplies or services by the Government.

Contract financing payments include--

- I. Advance payments;
- II. Performance-based payments;
- III. Commercial advance and interim payments;
- IV. Progress payments based on cost
- V. Progress payments based on a percentage or stage of completion
- VI. Interim payments under a cost reimbursement contract, except for a cost reimbursement contract for services

Most Preferred?
Performance Based Payments

Least Preferred?
Advance payments

Why?

RISK

Is your Contract Eligible for Progress Payments or Performance-Based Payments (PBP)?

FAR 32.5 & 32.1001

- Non-commercial
- Fixed Price
- Can't have both on same contract (PGI 232.1001)
- Request for Proposal (FAR 15)
- Progress Payments allowed on Sealed Bid, not PBP
- NO Construction or Ship Building when contract is paid based on stage of completion

Progress Payments Progress payments based on costs are made on the basis of costs incurred by the contractor as work progresses under the contract. (*FAR 32.102 (b)*)

- FAR 32.5, DFARS 232.5, PGI 232.5
- Approved Accounting System Required (*FAR 32.503-3(2)*)
- Customary Progress Payment Rate is 80% for large business and 90% for small business concerns. (*DFARS 232.501-1*)

Progress Payments

- ACO Risk Assessment will determine initial approval, frequency of review, and documentation required
- Risk assessment is based on request preparation and submission, cost, business Systems, company financial condition, and production and quality assurance systems.
- See Handout

Performance Based Payments are contract financing payments made on the basis of -- (1) Performance measured by objective, quantifiable methods; (2) Accomplishment of defined events; or (3) Other quantifiable measures of results.

- FAR 32.10, DFARS 232.10, PGI 232.1001(a)
- *Approved Accounting System is NOT Required but will be considered (DFARS 232-1003-70)
- DCMA Should be involved in negotiations of Milestones – see DFARS 232.1004 for negotiation tool

Performance Based Payments

- Milestones should commensurate with costs incurred
- Read FAR 32.1004(a) *Establishing performance bases*
- Ensure total PBPs do not exceed 90% of contract price
- See Handout

Is your Contract Eligible?

Read your solicitation!

- 52.232-13: Notice of Progress Payments (Apr 1984)
- 52.232-14: Notice of Availability of Progress Payments for Small Business Concerns
- 52.232-15: Progress Payments Not Included
- 52.232-28: Invitation to Propose Performance Based Payments.

Read your contract!

- 52.232-16: Progress Payments
- 252.232-7004: DoD Progress Payment Rates
- 52.232-32: Performance-Based Payments
- 252.232-7012: Performance-Based Payments-Whole-Contract Basis
- 252.232-7013: Performance-Based Payments-Deliverable-Item Basis

TAKE AWAY

Progress Payments = Cost incurred

Performance Based Payments = Milestones

Contract Financing can benefit small business but be prepared for the additional requirements and request for consideration

Commercial Item Financing

- FAR 32.2, DFARS 232.2
- FAR 32.202-1(a) *Use of financing in contracts*
- FAR Reference 52.232-31: Invitation to Propose Financing Terms
- Exceeds the SAT
- Must prove financing is customary in industry
- Adequate security is obtained
- Competitive award or consideration must be given
- Flexible setup but difficult to obtain

Questions?

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**Updates on DoD Post
Award Contract
Management**
Brief Overview and Insight

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Property

- As the number of your contracts grow, so should your Property management System.
- Self-assessment programs are key to keeping your systems current.
- Plan for contract closeout – do not hold on in hopes for another contract.
- Do you know who your PA is? Hint....CMT
- National Property Management Association (NPMA) – check it out

Industrial Specialists

- If you are a new contractor, contact your CA, IS, and QAR.
- Carbon copy your IS on all matters related to schedule
- New contractors: get registered in iRAPT, EDA, and myInvoice
- Pay attention to your DoDAACs – check all mods before invoicing
- Pay attention to receiving report instructions

Engineering

- Policy Change: Non-conforming material. Familiarize yourselves with DCMA-INST-207 Engineering surveillance policy and DCMA-INST-1207 Effective control of Nonconforming material.
- Show DCMA Website

Quality

- FAR 52.246-11 – Higher level quality requirements and flowdowns – read BEFORE you bid on a contract.
- Review the TDP and Testing requirement BEFORE you bid on a contract.
- Don't get too comfortable. If you manufactured a part before, do not assume the specifications are the same and do not assume the Government will ask the same questions.
- Don't allow FAT or PVT to fall too far behind.

Pricing and Auditing

- DCAA is focusing on Provisional Billing Rate reviews which lead to pre-payment voucher reviews which lead to post-payment voucher reviews – all lead to audit leads for incurred costs
- DCAA is still 3+ years behind on most incurred cost audits
- Proposal analysis – have your source documentation ready including quotes, engineering analysis, and support for rates

Contracting

- Contract Closeout is king – property, patent reports, unliquidated obligations
- Renewed focus on business systems – make sure your policies, procedures are updated and you are following them
- CBAR is a big deal
- Have your contract and modifications open when you submit your invoice or voucher

TAKE AWAY

- Read your solicitations before you bid/propose.
- Read your contract after award
- Contact your DCMA representatives if you are a new contractor and/or if you have new requirements

Questions?

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Contract Types

FAR Part 8: Required Sources of Supply

FAR Part 12: Commercial Items

FAR Part 13: Simplified Acquisition Procedures

FAR Part 14: Sealed Bid

FAR Part 15: Contract by Negotiation

FAR Part 16: Types of Contracts

- FAR 16.3: Cost-Reimbursement Contracts

Contract Types

FAR Part 8: Required Sources of Supply

FAR Part 12: Commercial Items

FAR Part 13: Simplified Acquisition Procedures

FAR Part 14: Sealed Bid

FAR Part 15: Contract by Negotiation

FAR Part 16: Types of Contracts

- **FAR 16.3:** Cost-Reimbursement Contracts

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❖ Delegation of Contract Administration

- FAR Part 42 and DFARS Part 242 provide regulatory guidance regarding contract administration and delegation
- Out of the 82 delegable functions, almost **44% are Pricing Related**
- Some of the primary areas are:
 - **Forward Pricing Rate Agreements (FPRAs)**
 - **Cost Accounting Standards (CAS)**
 - **Final Overhead Rate Settlement**
 - **Contractor Business Systems**
 - **Review and Evaluate Contractor's proposals (#4 on Handout)**
 - **Negotiate repairs, spares and undefinitized contractual actions**

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❖ Further Delegation of Subcontract Management

- 42.202 – Assignment of Contract Administration
 - (e) *Secondary delegations of contract administration.*
 - 2) ***The prime contractor is responsible for managing its subcontracts.***

The CAO's review of subcontracts is normally limited to evaluating the prime contractor's management of the subcontracts (see [Part 44](#)). Therefore, supporting contract administration shall not be used for subcontracts unless –

- a) The Government otherwise would incur undue cost;
- b) Successful completion of the prime contract is threatened; or
- c) It is authorized under paragraph (f) of this section or elsewhere in this regulation.
 - a) *(f) designation of high risk or critical subsystems for special surveillance limited to major system acquisition (FAR 34)*

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TINA Requirements: 15.403-5 -- Instructions for Submission of Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data.

- (a) Should be specified in Section L or M of the solicitation**
 - (1) Whether certified cost or pricing data are required;**
 - (2) KTR may have the option to submit a request for exception**
 - (3) Requirement for data “other than certified C&P data; and**
 - (4) Requirement for access to records**

- (b) (1) KO may require the contractor to submit the data in the format indicated in Table 15-2 of FAR 15.408**

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15.403-1 -- Prohibition on Obtaining Certified Cost or Pricing Data (10 U.S.C. 2306a and 41 U.S.C. Chapter 35).

➤ ***Threshold = \$700,000***

(b) Exceptions to certified cost or pricing data requirements.

(1) Adequate Price Competition

(2) Set by Law or Regulation

(3) Commercial Item

(4) Waiver

(5) Modifications to a Commercial Item

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- ❖ **Flow Down Clauses as it relates to CPA for Prime/Sub in Non-commercial negotiated contract**
- **52.215-2: Audit and Records—Negotiation.**
- ***52.215-12: Subcontractor Cost or Pricing Data**
- *52.215-13: Subcontractor Cost or Pricing Data – Modifications
- *52.215-14: Integrity of Unit Prices
- *52.215-15: Pension Adjustments and Asset Revisions
- 52.215-18: Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other Than Pensions

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- ❖ **A few Flow Down Clauses to research and consider as it relates to CPA for Prime/Sub in Non-commercial negotiated contract**
- ***52.215-22: Limitation on Pass-Through Charges – Identification of Subcontract Effort*
- *52.215-23: Limitation on Pass-Through Charges
- **52.216-5: Price Redetermination – Prospective
- **52.216-6: Price Redetermination – Retroactive
- 52.222-4: Contract Work Hours and Safety Standards Act – Overtime Compensation
- 52.230-2: Cost Accounting Standards

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- ❖ **A few Flow Down Clauses to research and consider as it relates to CPA for Prime/Sub in Non-commercial negotiated contract**
- *52.230-3: Disclosure and Consistency of Cost Accounting Practices*
- **52.230-4: Disclosure and Consistency of Cost Accounting Practices – Foreign Concerns*
- **52.230-5: Cost Accounting Standards – Educational Institutions**
- ***52.230-6: Administration of Cost Accounting Standards**

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❖ Flow Down Revisited

➤ 52.215-2; Audit and Records – Negotiations (Oct 2010)

b) *Examination of costs.* If this is a cost-reimbursement, incentive, time-and-materials, labor-hour, or price redeterminable contract, or any combination of these, the Contractor shall maintain and the Contracting Officer, or an authorized representative of the Contracting Officer, shall have the right to examine and audit all records and other evidence sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this contract.

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❖ Flow Down Revisited

➤ 52.215-2; Audit and Records – Negotiations (Oct 2010)

(c) *Certified cost or pricing data.* If the Contractor has been required to submit certified cost or pricing data in connection with any pricing action relating to this contract, the Contracting Officer shall have the right to examine and audit all of the Contractor's records, including computations and projections, related to –

- (1) The proposal for the contract, subcontract, or modification;
- (2) The discussions conducted on the proposal(s), including those related to negotiating;
- (3) Pricing of the contract, subcontract, or modification; or
- (4) Performance of the contract, subcontract or modification.

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❖ Flow Down Revisited

➤ **52.215-12 – Subcontractor Certified Cost or Pricing Data**

(a) Before awarding any subcontract expected to exceed the threshold for submission of certified cost or pricing data at FAR 15.403-4, on the date of agreement on price or the date of award, whichever is later; or before pricing any subcontract modification involving a pricing adjustment expected to exceed the threshold for submission of certified cost or pricing data at FAR 15.403-4, the Contractor shall require the subcontractor to submit certified cost or pricing data (actually or by specific identification in writing), in accordance with FAR 15.408, Table 15-2

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❖ Why should the Prime Care?

- **52.215-12 – Price Reduction for Defective Certified Cost or Pricing Data (Aug 2011)**

See Clause in FARSite

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15.404-3 -- Subcontract Pricing Considerations.

- (a) The contracting officer is responsible for the determination of a fair and reasonable price for the prime contract, **including subcontracting costs**. The contracting officer should consider whether a contractor or **subcontractor** has an approved purchasing system, has performed cost or price analysis of proposed subcontractor prices, or has negotiated the subcontract prices before negotiation of the prime contract, in determining the reasonableness of the prime contract price.

15.404-3 -- Subcontract Pricing Considerations. (continued)

(b) The prime contractor or subcontractor shall –

- (1) Conduct appropriate cost or price analyses to establish the reasonableness of proposed subcontract prices;
- (2) Include the results of these analyses in the price proposal; and
- (3) When required by paragraph (c) of this subsection, submit subcontractor certified cost or pricing data to the Government as part of its own certified cost or pricing data.

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15.404-3 -- Subcontract Pricing Considerations. (continued)

(c) Any contractor or subcontractor that is required to submit certified cost or pricing data also shall obtain and analyze certified cost or pricing data before awarding any subcontract, purchase order, or modification expected to exceed the certified cost or pricing data threshold, unless an exception in [15.403-1\(b\)](#) applies to that action.

(1) The contractor shall submit, or cause to be submitted by the subcontractor(s), certified cost or pricing data to the Government for subcontracts that are the lower of either --

(i) \$12.5 million or more; or

(ii) Both more than the pertinent certified cost or pricing data threshold and more than 10 percent of the prime contractor's proposed price, unless the contracting officer believes such submission is unnecessary.

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15.404-3 -- Subcontract Pricing Considerations. (continued)

(2) The contracting officer should require the contractor or subcontractor to submit to the Government (or cause submission of) subcontractor certified cost or pricing data below the thresholds in paragraph (c)(1) of this subsection and data other than certified cost or pricing data that the contracting officer considers necessary for adequately pricing the prime contract.

(3) Subcontractor certified cost or pricing data shall be submitted in the format provided in Table 15-2 of [15.408](#) or as specified

(4) Subcontractor certified cost or pricing data shall be current, accurate, and complete as of the date of price agreement. The contractor shall continually update contractor's data.

(5) If more than one prospective subcontractor, only include most likely awardee.

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PGI 215.404-3 Subcontract pricing considerations.

- (a) KO should consider need for field pricing assistance when prime is being denied records of subcontractor
 - (i) May request assistance even when records are available if KO believes:
 - (A) Biz relationship not conducive to independence and objectivity;
 - (B) Subcontract is sole source and substantial portion of prime cost
 - (C) Denied access
 - (D) KO believes its necessary due to size of lower tier sub proposal
 - (E) Prime has poor past performance of performing adequate cost analysis or has significant estimating system deficiencies; or
 - (F) A lower-tier subcontractor has been cited as having significant estimating system deficiencies.

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PGI 215.404-3 Subcontract pricing considerations.

(iii) When DoD performs the subcontract analysis, DoD shall furnish to the prime contractor or higher-tier subcontractor, with the consent of the subcontractor reviewed, a summary of the analysis performed in determining any unacceptable costs included in the subcontract proposal. If the subcontractor withholds consent, DoD shall furnish a range of unacceptable costs for each element in such a way as to prevent disclosure of subcontractor proprietary data.

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(Procedures, Guidance, & Information) PGI 215.402 Pricing policy.

(1) Contracting officers must purchase supplies and services from responsible sources at fair and reasonable prices. The Truth in Negotiations Act (TINA) (10 U.S.C. 2306a and 41 U.S.C. chapter 35) requires offerors to submit certified cost or pricing data if a procurement exceeds the TINA threshold and none of the exceptions to certified cost or pricing data requirements applies. Under TINA, the contracting officer obtains accurate, complete, and current data from offerors to establish a fair and reasonable price (see FAR 15.403). TINA also allows for a price adjustment remedy if it is later found that a contractor did not provide accurate, complete, and current data.

(2) When C&P data not required, KO to request other than C&P

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PGI 215.402 Pricing policy.

(3) Obtaining sufficient data from the offeror is particularly critical in situations where an item is determined to be a commercial item in accordance with FAR 2.101 and the contract is being awarded on a sole source basis. This includes commercial sales data of items sold in similar quantities and, if such data is insufficient, cost data to support the proposed price.

(4) See [PGI 215.404-1 \(DFARS/PGI view\)](#) for more detailed procedures for obtaining data needed to determine fair and reasonable prices.

Available Resources

- DCAA CAM: <http://www.dcaa.mil/>
- DCMA Pricing Guide:
 - <http://www.dcma.mil/policy/>
- Contract Pricing and Reference Guides
 - <https://acc.dau.mil/cprg>
- Defense Procurement & Acquisition Policy
 - <http://www.acq.osd.mil/dpap/cpf/>
- WIFCON
 - <http://www.wifcon.com/>

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FAR 52.244-5 – Competition in Subcontracting.

(a) The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.”

52.244-6 -- Subcontracts for Commercial Items.

(b) To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or nondevelopmental items as components of items to be supplied under this contract.

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Commercial Item Exception

See PGI 215.403-1 Prohibition on obtaining certified cost or pricing data (10 U.S.C. 2306a and 41 U.S.C. chapter 35).

➤ Standards for Sole Source Commercial Items

(A) Has been sold, leased, or licensed to the general public

(B) Has been offered for sale, lease, or license to the general public; or

(C) Has evolved or been modified from such products or services.

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PGI 215.403-1 Prohibition on obtaining certified cost or pricing data (10 U.S.C. 2306a and 41 U.S.C. chapter 35).

- Therefore, **some form of prior non-government sales data**, or the fact that the item was sold, leased, licensed, or offered for sale (either the specific product or service or the product or service from which the item evolved) must be obtained.
- The fact that an item has been determined to be a commercial item does not, in and of itself, prohibit the contracting officer from requiring data other than certified cost or pricing data. This includes data related to prices and cost data that would otherwise be defined as certified cost or pricing data if certified.

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How to Prepare of Prime/Government Review: Proposal Adequacy Checklist

215.408 Solicitation provisions and contract clauses. (5) When the solicitation requires the submission of certified cost or pricing data, the contracting officer should include [252.215-7009](#), Proposal Adequacy Checklist, in the solicitation to facilitate submission of a thorough, accurate, and complete proposal.

252.215-7009 Proposal Adequacy Checklist. The offeror shall complete the following checklist, providing location of requested information, or an explanation of why the requested information is not provided. In preparation of the offeror's checklist, offerors may elect to have their prospective subcontractors use the same or similar checklist as appropriate.

- Mirrors Table 15-2 -- Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data Are Required
- See Handout

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- ❖ **Methods to determine Fair and Reasonable Price**
 - Adequate Price Competition (APC)
 - Price Analysis
 - Cost Analysis
 - Cost Realism Analysis
 - Price Set by Law (Utilities)

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➤ Price Analysis

- The process of examining and evaluating a proposed price to determine if it is fair and reasonable, without evaluating its separate cost elements and profit
 - CO shall use price analysis when cost or pricing data is not required
 - The CO must be satisfied that the price is fair and reasonable
 - The file must be documented with rationale used in the pricing decision
- Methods of comparison for determining fair and reasonable price:
 - Prices received in response to a solicitation
 - Commercial prices such as published price lists or rebates
 - Previously proposed/contract prices for the same or similar end items
 - Parametric estimates or estimates developed using rough yardsticks
 - Independent Government Estimates (IGEs)
 - Market research for same or similar items

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❖ Cost Analysis

– Use cost analysis

- When a contractor is required to submit certified cost or pricing data
- When a contractor is required to submit other than certified cost or pricing data to support price reasonableness or cost realism

– Review and evaluate separate cost elements and proposed profit/fee of

- Certified cost or pricing data or data other than certified cost or pricing data
- Judgment applied to determine how well the proposed costs represent what the cost of the contract should be
 - ✓ Assuming reasonable economy and efficiency

– Definition of cost or pricing data at FAR 2.101

- All facts that prudent buyers and sellers would reasonably expect to affect price negotiations significantly
- All facts that can be reasonably expected to contribute to the soundness of estimates of future costs and the validity of costs already incurred (not just historical accounting data)

PGI 215.404-2 Data to support proposal analysis.

- (c) *Audit assistance for prime contracts or subcontracts.*
- (i) The contracting officer should consider requesting audit assistance from DCAA for—
 - (A) Fixed-price proposals exceeding \$10 million;
 - (B) Cost-type proposals exceeding \$100 million

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- ❖ Price/Cost Analyst will perform review, assist in review, or coordinate review -- and provide advice to Contracting Officer in 9 main areas:
 - Proposal Analysis – New Contract and modifications
 - Support to Negotiations
 - Contractor System Reviews
 - Forward Pricing Rates and Billing Rates
 - Overhead Should Cost Reviews
 - Rate Monitoring and Cost Monitoring Program
 - Final Overhead Settlement
 - Cost Accounting Standards (CAS)
 - Analysis of Contract Financing

Applicable FAR References

- FAR 15.4 Contract Pricing
- FAR 15.403-1 Certified Cost & Pricing Data
- FAR 15.404-2 Data to Support Proposal Analysis
- DFARS 215.4 Contract Pricing
- DFARS PGI 215.4-1 Data to Support Proposal Analysis
- FAR 42 Contract Audit and Administration
- Truth in Negotiations Act (TINA)

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- ❖ From 1994 through 2008:
 - Reduction in number of cost/price analysts
 - Elimination of cost monitors supporting DACOs and CACOs
 - Price Analysts re-assigned as Contract Administrators/Specialists
 - Few new Pricers hired to replace those leaving
 - DCMA O/H Center Disbanded
 - No O/H should cost reviews since mid 1993
 - Requests for Proposal Pricing Reports declined by two-thirds

- ❖ DCMA needed to re-engage in the functions it owns for DoD:
 - Cost Accounting Standards
 - Negotiation of Forward Pricing rates
 - Negotiation of Indirect Cost rates

DCMA Involvement With the Acquisition Life Cycle

We provide insight and oversight of ~19,700 Contractors

- ↓ FAR 42.302(a) Standard Functions
- ↓ FAR 42.302(b) Additional Functions
- ↓ DFARS 242.302(a)
- ↓ DFARS 242.302(b)

PRE-AWARD

82 Functions

Core Contract Administration
Pricing / Negotiation
Program Technical Support
Quality Assurance
Engineering Surveillance
Production Surveillance
Property Management
Small Business

AWARD

**COMPLETION
&
CLOSEOUT**

We manage
 ~350,000 active
 contracts worth
 ~\$1.75 Trillion

PERFORMANCE



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Standard	Title
401	Consistency in Estimating, Accumulating and Reporting Costs ***
402	Consistency in Allocating Costs Incurred for the Same Purpose
403	Allocation of Home Office Expenses to Segments
404	Capitalization of Tangible Assets
405	Accounting for Unallowable Costs
406	Cost Accounting Period
407	Use of Standard Costs for Direct Material and Direct Labor
408	Accounting for Costs of Compensated Personal Absence
409	Depreciation of Tangible Capital Assets
410	Allocation of Business Unit General and Administrative Expenses to Final Cost Objectives
411	Accounting for Acquisition Costs of Material
412	Composition and Measurement of Pension Costs
413	Adjustment and Allocation of Pension Cost
414	Cost of Money as an Element of the Cost of Facilities Capital
415	Accounting for the Cost of Deferred Compensation
416	Accounting for Insurance Costs
417	Cost of Money as an Element of the Cost of Capital Assets Under Construction
418	Allocation of Direct and Indirect Costs
419	<i>unused</i>
420	Accounting for Independent Research and Development Costs and Bid and Proposal Costs (IR&D and B&P)
*	Standards Applicable to Modified CAS Coverage

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❖ Cost Accounting Standards (CAS) Administration

- Very complex area – requires knowledge of FAR Part 30, CAS Public Law 9903.3, and past Legal Decisions
- Standards issued by the Cost Accounting Standards Board (CASB) used for the estimating, accumulating and reporting of costs - currently there are 19 Standards
- GAAP (Generally Accepted Accounting Principles) focuses on Financial Accounting (the fair presentation of the company's assets, liabilities and owner equity to third parties), whereas CAS focuses on accounting for costs of specific contracts (measuring, assigning and allocating costs to cost objectives)
- Contractor subject to CAS coverage may be required to submit an ADEQUATE and COMPLIANT Disclosure Statement of their cost accounting practices and comply with is disclosed practices. All CAS-covered contractors must COMPLY with the standards for which they must follow (Full or Modified coverage)

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**Forward
Pricing
Rates**



**Estimate and
Negotiate
Contracts and
EACs**

**Billing
Rates**



**Bill and Pay
Contracts**

**Actual &
Final
Overhead
Rates**



**Adjust
Payments and
Close Contracts**

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- Price/Cost Analyst Role for Cost Reimbursement/Flexibly Priced Contracts
 - Evaluate impacts of billing rate adjustments
 - Assist ACO with incentive and re-determinable fee and price adjustments
 - Analyzes incurred costs and develops cost to complete
 - Analyzes funds expenditures and estimates funding needs for next six months and future performance years
 - For Fixed-Price Incentive contracts, evaluates claimed earned and projected profit
 - Evaluates submitted Quarterly Limitation of Payments (QLOP) Statements
 - Recommends adjustments to Provisional Line Item Billing Prices
 - Provides advice to ACO for instances of DCAA reported disallowed costs
 - Provides advice to ACO for potential issuance of Notice of Intent to Disallow Costs

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❖ FAR – Part 44; Subcontracting Policies and Procedures

- Policies and Procedures for **consent**/*advance notification* of subcontracts and evaluation of Contractor's Purchasing System (FAR 44.201-1 **Consent** Requirements)
- *N/a for commercial items*

- **Approved Purchasing System:** consent required only for subcontract identified in subcontracts clause (FAR 52.244-2)

- **Not approved:** consent is required if the prime contract is a
 - **Prime Contract** is Cost Reimbursable, TM/LH, Letter Contracts, and unpriced actions under fixed-price contracts > SAT.....AND;
 - **Subcontract** is a CR, TM/LH, and for FP subcontracts that exceed
 - DoD, Cost Guard, NASA: The greater of SAT or 5% of total cost
 - Non-DoD, CG, NASA: Either SAT or 5% of total cost

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❖ FAR – Part 44; Subcontracting Policies and Procedures

- Policies and Procedures for *consent/advance notification* of subcontracts and evaluation of Contractor's Purchasing System (FAR 44.201-2)
- *N/a for commercial items*
- **Approved Purchasing System:** advanced notification not required for DoD but still required for Non-Dod, GC, NASA
- **Not approved:** notification is required if;
 - **Prime Contract** is Cost Reimbursable.....AND;
 - **Subcontract** is Cost Plus Fixed Fee or Fixed Price and
 - DoD, Cost Guard, NASA: The greater of SAT or 5% of total cost
 - Non-DoD, CG, NASA: Either SAT or 5% of total cost

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44.303 -- Extent of Review.

A CPSR requires an evaluation of the contractor's purchasing system. Unless segregation of subcontracts is impracticable, this evaluation shall not include subcontracts awarded by the contractor exclusively in support of Government contracts that are competitively awarded firm-fixed-price, competitively awarded fixed-price with economic price adjustment, or awarded for commercial items pursuant to [Part 12](#). The considerations listed in [44.202-2](#) for consent evaluation of particular subcontracts also shall be used to evaluate the contractor's purchasing system, including the contractor's policies, procedures, and performance under that system. Special attention shall be given to --

- (a) The results of market research accomplished;
- (b) The degree of price competition obtained;
- (c) Pricing policies and techniques, including methods of obtaining certified cost or pricing data, and data other than certified cost or pricing data;
- (d) Methods of evaluating subcontractor responsibility, including the contractor's use of the System for Award Management Exclusions (see [9.404](#)) and, if the contractor has subcontracts with parties on the Exclusions list, the documentation, systems, and procedures the contractor has established to protect the Government's interests (see [9.405-2](#));

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- (e) Treatment accorded affiliates and other concerns having close working arrangements with the contractor;
- (f) Policies and procedures pertaining to small business concerns, including small disadvantaged, women-owned, veteran-owned, HUBZone, and service-disabled veteran-owned small business concerns;
- (g) Planning, award, and postaward management of major subcontract programs;
- (h) Compliance with Cost Accounting Standards in awarding subcontracts;
- (i) Appropriateness of types of contracts used (see [16.103](#));
- (j) Management control systems, including internal audit procedures, to administer progress payments to subcontractors; and
- (k) Implementation of higher-level quality standards.

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Per DCMA Guidance:

- Accounting System Review
 - DCAA Lead
- Billing System Review
 - DCAA Lead
- Material Management Accounting System – MMAS
 - DCMA Lead
- Contractor Employee Compensation System Review – CECSR
 - DCAA Lead
- Contractor Estimating System Review – CESR
 - DCAA Lead

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- Contractor Purchasing System Review - CPSR
 - DCMA Lead
- Contractor Insurance and Pension Review – CIPR
 - DCMA Lead
- Contractor Estimating System Review – CESR
 - DCAA Lead
- Earned Value Management System – EVMS
 - DCMA Lead

– DCAA Role in CAS:

- Conducts the audits
 - ✓ CAS Adequacy & Compliance of 19 standards
 - ✓ Disclosure Statement submissions and changes
 - ✓ Makes recommendations to ACO concerning adequacy, compliance and cost impact

– ACO Role in CAS:

- Responsible for administering the CAS
- Makes determination of adequacy and compliance
- Resolves cost impacts resulting from changes in cost accounting practices and noncompliance with CAS requirements

– The Price/Cost Analyst Role in CAS:

- Assists the C/D/ACO with their determination of compliance and adequacy
 - ✓ Fact finding
 - ✓ Discussions after issuance of audit report
 - ✓ Research standard and related guidance
- Needs to be familiar with the contractor's Disclosure Statement and provide knowledgeable information and advice on the application of disclosed accounting practices
- Reviews and evaluates cost impact proposals
- Maintains CAS system status information
- May be requested to prepare PNOM for ACO to negotiate cost impact

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1. Evaluate and confirm customer's request for field pricing support
2. Examine proposal for adequacy and compliance with RFP
3. Determine Scope of Review
4. Request DCAA audit if needed
5. Request Tech analysis if needed
6. Conduct Pre-analysis meeting
7. Request field support assist if needed (e.g., subcontract)
8. Fact finding with the contractor (coordinate w/audit and tech team focal points)
9. Analyze the areas of cost/risk you are personally reviewing
10. Draft report template
11. Receive and review audit results
12. Receive and review tech results
13. Receive and review field support assist results
14. Clarify information received
15. Build pricing model & incorporate findings into model
16. Provide profit element comments (and recommendations if requested)
17. Include system deficiency and CAS impacts
18. Provide contractor/product info related to trends, risks, and other areas that may be pertinent
19. Provide additional info where the audit or tech is unable to recommend
20. Issue pricing report with model

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PGI 215.403-1 Prohibition on obtaining certified cost or pricing data (10 U.S.C. 2306a and 41 U.S.C. chapter 35).

- Report Content. The annual report of commercial item exceptions to Truth in Negotiations Act (TINA) requirements shall include the following:
- (1) Contract number, including modification number, if applicable, and program name.
 - (2) Contractor name.
 - (3) Contracting activity.
 - (4) Total dollar amount of exception
 - (5) Brief explanation of the basis for determining that the item(s) are commercial.
 - (6) Brief description of the specific steps taken to ensure price reasonableness.