

DFARS Procedures, Guidance, and Information

PGI 209—Contractor Qualifications

(Revised January 30, 2012)

PGI 209.1--RESPONSIBLE PROSPECTIVE CONTRACTORS

PGI 209.105-1 Obtaining Information.

GSA's Excluded Parties List System (EPLS), which is available at <http://www.epls.gov>, identifies entities excluded throughout the U.S. Government (unless otherwise noted) from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and non-financial assistance and benefits.

(1) Multiple agencies have the authority to suspend or debar entities from “doing business” with the Government. Presently, there are approximately 71 separate cause and treatment codes under which entities can be suspended or debarred or excluded.

(2) The cause and treatment codes advise readers of the nature of the exclusion, debarment, or suspension and how those listed on the EPLS should be treated. However, the fact that an entity is listed on the EPLS does not necessarily mean the entity is ineligible for contract award. Review of the cause and treatment code is crucial in ensuring that listed entities are not deprived of their “liberty interest” in conducting business with the Government.

(3) When the Department of Justice Bureau of Justice Assistance debars individuals under 10 U.S.C. 2408, they are placed on the EPLS under cause and treatment code FF (Reciprocal). The individuals currently listed under this treatment code can be found on the EPLS website (<http://www.epls.gov> - Click on the “Cause and Treatment Code” under the “Reports Menu” heading at the top of the right side of the web page; then select “Reciprocal” in the “Exclusion Type” search window and click “OK”; finally, select CT code “FF” in the drop-down list and select MS Excel format, then “OK”, to view the information).

(4) A "Public User's Manual" is available on the EPLS website to assist users in navigating the system. Definitions of Procurement, Nonprocurement, and Reciprocal exclusions can be found in Chapter 4 of the manual.

PGI 209.106 Preaward surveys.

PGI 209.106-1 Conditions for preaward surveys.

(a) If a preaward survey is requested, include the rationale in Block 23 of the SF 1403, Preaward Survey of Prospective Contractor (General).

PGI 209.106-2 Requests for preaward surveys.

DFARS Procedures, Guidance, and Information

PGI 209—Contractor Qualifications

(1) The surveying activity is the cognizant contract administration office as listed in the Federal Directory of Contract Administration Services Components, available at <https://pubapp.dema.mil/CASD/main.jsp>. When information is required as part of the survey on the adequacy of the contractor's accounting system or its suitability for administration of the proposed type of contract, the surveying activity will obtain the information from the auditor.

(2) Limited information may be requested by telephone.

(3) The contracting officer may request a formal survey by telephone but must confirm immediately with SF 1403, Preaward Survey of Prospective Contractor (General). For a formal survey, send original and three copies of SF 1403, including necessary drawings and specifications.

(i) List additional factors in Item H, Section III of the SF 1403 and explain them in Block 23. For example—

(A) Information needed to determine a prospective contractor's eligibility under the Walsh-Healey Public Contracts Act. (Note that the Walsh-Healey Public Contracts Act, Block 12 of Section I, only indicates what the contractor has represented its classification to be under Walsh-Healey.)

(B) Evaluation of a contractor as a planned producer when the offered item is or may appear on the Industrial Preparedness Planning List (IPPL). When the preaward survey results in a recommendation for award, ask the office responsible for industrial preparedness planning to consider designating the prospective contractor as a planned producer. If the item is already on the IPPL or the prospective contractor is already a planned producer, note the information in Block 23.

(C) Evaluation of the prospective contractor's performance against small business subcontracting plans.

(4) On base level preaward surveys, technical personnel from the requiring installation should participate when there is concern about the ability of a prospective contractor to perform a base level service or construction contract.

(5) Allow more time for—

(i) Complex items;

(ii) New or inexperienced DoD contractors; and

(iii) Surveys with time-consuming requirements, e.g., secondary survey, accounting system review, financial capability analysis, or purchasing office participation.

DFARS Procedures, Guidance, and Information

PGI 209—Contractor Qualifications

(6) Only request those factors essential to the determination of responsibility. See DFARS [253.209-1](#)(a) for an explanation of the factors in Section III, Blocks 19 and 20 of the SF 1403.

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

(Revised January 30, 2012)

PGI 225.77—ACQUISITIONS IN SUPPORT OF OPERATIONS IN IRAQ OR AFGHANISTAN

PGI 225.7703 Acquisition of products or services other than small arms.

PGI 225.7703-2 Determination requirements.

(b) Subject matter experts for defense industrial base matters are as follows:

For Army: SAAL-PA, Army Industrial Base Policy, telephone 703-695-2488.

For DLA: DLA J-74, Acquisition Programs and Industrial Capabilities Division, telephone 703-767-1427.

For Navy: Ship Programs, DASN Ships, telephone 703-697-1710.

For Air Force: Air Force Research Laboratory, Materials Manufacturing Directorate, telephone 703-588-7777.

For Other Defense Agencies: Personnel at defense agencies without industrial base expertise on staff should contact the Office of the Deputy Under Secretary of Defense for Industrial Policy (Acquisition, Technology, and Logistics), telephone 703-697-0051.

(c) Determination formats.

(i) Prepare an individual determination and findings substantially as follows:

DEPARTMENT OR AGENCY

Authority to Acquire Products or Services
from Iraq or Afghanistan

Determination and Findings

Upon the basis of the following findings and determination which I hereby make in accordance with the provisions of DFARS 225.7703-2, the acquisition of a product or service, other than small arms, in support of operations in [*Select one:* Iraq / Afghanistan / Iraq and Afghanistan] may be made as follows:

Findings

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

1. The *[contracting office]* proposes to purchase under contract number _____, *[describe item]*. The total estimated cost of this acquisition is _____.
2. The product or service is to be used by *[describe the entity(ies) that are the intended user(s) of the product or service]*.
3. The contracting officer recommends conducting the acquisition using the following procedure, which, given this determination, is authorized by Section 886 of Public Law 110-181:

[Select one of the following:]

Provide a preference for products or services from Iraq or Afghanistan.

Limit competition to products or services from Iraq or Afghanistan.

Use procedures other than competitive procedures to award a contract to a particular source or sources from Iraq or Afghanistan.

4. To implement the recommended procedure, the solicitation will contain *[title and number of the applicable provision and/or clause prescribed at DFARS 225.7703-5]*.
5. The proposed acquisition will provide a stable source of jobs in *[Select one: Iraq / Afghanistan / Iraq and Afghanistan]*, because _____.
6. The proposed use of other than full and open competition is necessary to provide this stable source of jobs in *[Select one: Iraq / Afghanistan / Iraq and Afghanistan]*.
7. The proposed use of other than full and open competition will not adversely affect military operations or stability operations in *[Select one: Iraq / Afghanistan / Iraq and Afghanistan]*, because _____ This is the opinion of the *[title of the official responsible for operations in the area involved]*.
8. The proposed use of other than full and open competition will not adversely affect the United States industrial base.
9. *[If a preference will be provided for products or services from Iraq or Afghanistan, or if competition will be limited to products or services from Iraq or Afghanistan, include—*

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

(1) A description of efforts made to ensure that offers are solicited from as many potential sources as is practicable; and

(2) Whether a notice was or will be publicized as required by FAR Subpart 5.2 and, if not, which exception in FAR 5.202 applies.]

- OR -

[If procedures other than competitive procedures will be used to award a contract to a particular source or sources from Iraq or Afghanistan, include—

(1) A description of the market research conducted in accordance with FAR Part 10 and the results; or a statement of the reason market research was not conducted;

(2) A listing of the sources, if any, that expressed, in writing, an interest in the acquisition;

(3) A demonstration that the proposed contractor's unique qualifications require the use of a noncompetitive acquisition, or an explanation of the other reasons for use of a noncompetitive acquisition; and

(4) A certification by the contracting officer that the information in paragraphs (1) through (3) above is accurate and complete to the best of the contracting officer's knowledge and belief.]

Determination

I hereby determine that it is in the national security interest of the United States to use the acquisition procedure described above, because the procedure is necessary to provide a stable source of jobs in [*Select one:* Iraq / Afghanistan / Iraq and Afghanistan] and it will not adversely affect (1) Operations in [*Select one:* Iraq / Afghanistan / Iraq and Afghanistan] or (2) the United States industrial base.

(Date)

(ii) Prepare a determination and findings for a class of acquisitions substantially as

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

follows:

DEPARTMENT OR AGENCY

Authority to Acquire Products or Services
from Iraq or Afghanistan

Determination and Findings

Upon the basis of the following findings and determination which I hereby make in accordance with the provisions of DFARS 225.7703-2, the acquisition of products or services, other than small arms, in support of operations in [Select one: Iraq / Afghanistan / Iraq and Afghanistan] may be made as follows:

Findings

1. It is anticipated that [applicable departments/agencies/components] will need to award contracts during the period from _____ to _____ in order to acquire [describe the type(s) of products or services] for [describe the purpose, if the purpose for which the items will be acquired is a defining characteristic of the class of acquisitions to be covered by the class determination].
2. The products or services to be acquired under the contemplated contracts are to be used by [describe the entity(ies) intended to use the products or services].
3. This class of acquisitions should be conducted using the following procedure, which, given this determination, is authorized by Section 886 of Public Law 110-181:

[Select one of the following:]

Provide a preference for products or services from Iraq or Afghanistan.

Limit competition to products or services from Iraq or Afghanistan.

Use procedures other than competitive procedures to award a contract to a particular source or sources from Iraq or Afghanistan.

4. To implement the recommended procedure, solicitations will contain [title and number of the applicable provision and/or clause prescribed at DFARS 225.7703-5].

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

5. Each of the contemplated contracts will provide a stable source of jobs in [Select one: Iraq / Afghanistan / Iraq and Afghanistan], because _____.
6. The proposed use of other than full and open competition for this class of acquisitions is necessary to provide this stable source of jobs in [Select one: Iraq / Afghanistan / Iraq and Afghanistan].
7. The proposed use of other than full and open competition for this class of acquisitions will not adversely affect operations in [Select one: Iraq / Afghanistan / Iraq and Afghanistan], because_____.
This is the opinion of the [title of the official responsible for operations in the area involved].
8. The proposed use of other than full and open competition for this class of acquisitions will not adversely affect the United States industrial base.
9. *[If a preference will be provided for products or services from Iraq or Afghanistan, or if competition will be limited to products or services from Iraq or Afghanistan, include—*
 - (1) *A description of the efforts that will be made to ensure that offers are solicited from as many potential sources as is practicable; and*
 - (2) *Whether a notice will be publicized as required by FAR Subpart 5.2 and, if not, which exception in FAR 5.202 applies.]*

- or -

[If procedures other than competitive procedures will be used to award contracts to a particular source or sources from Iraq or Afghanistan, include—

- (1) *A description of the market research conducted in accordance with FAR Part 10 and the results; or a statement of the reason market research was not conducted;*
- (2) *A listing of the sources, if any, that expressed, in writing, an interest in this class of acquisitions;*
- (3) *A demonstration that the proposed contractor's unique qualifications require the use of a noncompetitive acquisition, or an explanation of the other reasons for use of a noncompetitive acquisition; and*

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

(4) *A certification by the contracting officer that the information in paragraphs (1) through (3) above is accurate and complete to the best of the contracting officer's knowledge and belief.]*

Determination

I hereby determine that it is in the national security interest of the United States to use the acquisition procedure described above for [description of the class of acquisitions to which this determination is intended to apply], because the procedure is necessary to provide a stable source of jobs in [Select one: Iraq / Afghanistan / Iraq and Afghanistan] and it will not adversely affect (1) Operations in [Select one: Iraq / Afghanistan / Iraq and Afghanistan] or (2) the United States industrial base.

(Date)

(iii) Prepare a deviation and findings for acquisitions issued pursuant to [Class Deviation 2009-O0012](#), Class Deviation to Implement Temporary Authority to Acquire Products and Services Produced in Countries along a Major Route of Supply to Afghanistan, substantially as follows:

DEPARTMENT OR AGENCY

AUTHORITY TO ACQUIRE PRODUCTS OR SERVICES FROM

Determination and Findings

Upon the basis of the following findings and determination, which I hereby make in accordance with the provisions of DFARS 225.7799-2 (DEVIATION), the acquisition of a product or service, other than small arms, in support of operations in Afghanistan may be made as follows:

FINDINGS

1., The _____ 1A _____ proposes to purchase under solicitation number _____
_____ 1B _____, _____ 1C _____.

The total estimated cost of this acquisition is _____ 1D _____.

2., The product or service is to be used by _____ 2 _____.

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

3., The contracting officer recommends conducting the acquisition using the following procedure, which, given this determination, is authorized by Section 801 of Public Law 111-084:

3

4., To implement the recommended procedure, the solicitation will contain DFARS 252.225-7998, Preference for Products or Services from Central Asia, Pakistan, or the South Caucasus (11 NOV 09) (DEVIATION), and DFARS 252.225-7999, Requirement for Products or Services from Central Asia, Pakistan, or the South Caucasus (11 NOV 09) (DEVIATION).

5., The proposed acquisition will provide a product or service that is to be used

5

6. It is in the national security interest of the United States to use a procedure specified in 225.7799-1(a)(DEVIATION) because the procedure is necessary to

6A

Use of the procedure will not adversely affect

6B

7. Acquisitions conducted using the procedures specified in DFARS 225.7799-1(a) (DEVIATION), (see para. 3. above), are authorized to use other than full and open competition procedures and do not require the justification and approved addressed in FAR Subpart 6.3.

8. If a preference will be provided to products or services from Central Asia, Pakistan, or the South Caucasus, or if competition will be limited to products or services from Central Asia, Pakistan, or the South Caucasus, include—

8A

Requirement will be/was synopsisized: YES NO If not synopsisized, exception at FAR 5.202(a) 8B applies.

9. If other than competitive procedures will be used to award a contract to a particular source(s) from Central Asia, Pakistan, or the South Caucasus, the following statements apply –

(a) Market Research:

9A

(b) Sources that expressed, in writing, an interest in the acquisition:

9B

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

(c) Contractor's unique qualifications requiring a noncompetitive acquisition:

9C

or other reasons for use of a noncompetitive acquisition:

9C

(d) I hereby that the information in paragraphs (1) through (3) above is accurate and complete to the best of my knowledge and belief.

_____ Date: _____

CONTRACTING OFFICER

Name: _____

Office Symbol: _____

DETERMINATION

Head of the Contracting Activity (HCA) Determination

In accordance with the authorization outlined in DFARS 225.7799-

2(b)(1)(i)(DEVIATION), I hereby determine that it is in the national security interest of the United States to use the acquisition procedure described above, because the procedure is necessary to support operations in Afghanistan and these procedures will not affect the security, transition, reconstruction, and humanitarian relief operations in Afghanistan or the United States industrial base.

_____ Date: _____

INSTRUCTIONS FOR COMPLETING DETERMINATION

- 1A Office symbol of your contracting office
- 1B RFP/RFQ/IFB number
- 1C Description of the items to be purchased

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

- 1D Estimated amount of the requirement (in USD)
- 2 Describe the entity(ies) that are the intended user(s) of the product or service
- 3 *Select and include one of the following:*
 - Provide a preference for products or services from Central Asia, Pakistan, or the South Caucasus IAW the evaluation procedures at 225.7799-3 (DEVIATION).
 - Limit competition to products or services from Central Asia, Pakistan, or the South Caucasus.
- 5 *Select and include one of the following:*
 - In the country that is the source of the product or service.
 - In the course of efforts by the United States and the NATO International Security Assistance Force to ship goods to Afghanistan in support of operations in Afghanistan. By the military forces, police, or other security personnel of Afghanistan.
- 6A *Select and include one of the following:*
 - Reduce the overall United States transportation costs and risks in shipping goods in support of operations in Afghanistan.
 - Encourage states of Central Asia, Pakistan, or the South Caucasus to cooperate in expanding supply routes through their territory in support of operations in Afghanistan. Help develop more robust and enduring routes of supply to Afghanistan.
- 6B *Select and include one of the following:*
 - Operations in Afghanistan (including security, transition, reconstruction, and humanitarian relief activities).
 - The U.S. industrial base. [The contracting officer generally may presume that there will not be an adverse effect on the U.S. industrial base. However, when in doubt the contracting officer should coordinate with the applicable subject matter experts.]
- 8A Description of efforts made to ensure offers are solicited from as many potential sources as is practicable
- 8B Provide the number of the exception in FAR 5.202(a) that applies
- 9A A description of the market research conducted IAW FAR Part 10 and the results; or a statement of the reason why market research was not conducted
- 9B Provide the names of the sources that expressed an interest in this acquisition
- 9C Provide rationale for the noncompetitive acquisition: either a description of the contractor's unique qualifications or other reasons why competition is not appropriate

PGI 225.7703-4 Reporting requirement.

(1) Reports for [Class Deviation 2009-O0012](#), Class Deviation to Implement Temporary Authority to Acquire Products and Services Produced in Countries along a Major Route of Supply to Afghanistan, shall include—

(i) The number of occasions on which a determination under Deviation 2009-O0012 was made with respect to the exercise of the authority, regardless of whether or not the determination resulted in the exercise of such authority;

DFARS Procedures, Guidance, and Information

PGI 225—Foreign Acquisition

(ii) The total dollar amount of contracts issued pursuant to the exercise of such authority displayed—

(A) Separately for each country (Georgia, the Kyrgyz Republic, Pakistan, the Republic of Armenia, the Republic of Azerbaijan, the Republic of Kazakhstan, the Republic of Tajikistan, the Republic of Uzbekistan, or Turkmenistan); and

(B) Combined total for all countries; and

(iii) A description and assessment of the extent to which procurements pursuant to the exercise of such authority furthered the national security interest of the United States to—

(A) Improve local market and transportation infrastructure in Central Asia, Pakistan, or the South Caucasus in order to reduce overall United States transportation costs and risks in shipping goods in support of operations in Afghanistan; or

(B) Encourage states of Central Asia, Pakistan, or the South Caucasus to cooperate in expanding supply routes through their territory in support of operations in Afghanistan.

(2) Reports shall be submitted in accordance with the following schedule:

Reportable Actions Occurring From - To	Submit Report No Later Than
September 15, 2009 – December 31, 2009	January 31, 2010
January 1, 2010– December 31, 2010	January 31, 2011
January 1, 2011 – December 31, 2011	January 31, 2012

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(Revised January 30, 2012)

PGI 242.3—CONTRACT ADMINISTRATION OFFICE FUNCTIONS

PGI 242.302 Contract administration functions.

(a)(13)(B)(1) For contracts assigned to DCMA for contract administration, designate as the payment office—

(i) The cognizant Defense Finance and Accounting Service (DFAS) payment office as specified in the Federal Directory of Contract Administration Services Components (available via the Internet at <https://pubapp.dcmamil/CASD/main.jsp>), for contracts funded with DoD funds;

(ii) The department or agency payment office, if authorized by defense financial management regulations or if the contract is funded with non-DoD funds; or

(iii) Multiple payment offices under paragraphs (a)(13)(B)(1)(i) and (ii) of this section, if the contract is funded with both DoD and non-DoD funds.

(2) For contracts not assigned to DCMA, select a payment office or offices under department/agency procedures. DoD personnel may use the DFAS Reference Tool, available via the Internet at <http://referencetool.dfas.mil>, to identify cognizant DFAS payment offices.

PGI 242.302(a)(S-74)—Monitoring Contractor Costs

(a) *Scope.*

This section provides guidelines for—

(1) Monitoring the policies, procedures, and practices used by contractors to control direct and indirect costs related to Government business; and

(2) Eliminating duplication in Government monitoring of contractors' costs.

(b) *Policy.*

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, DoD must systematically monitor the management of contractors' costs to ensure these responsibilities are met.

(c) *Responsibilities.*

(1) Departments and agencies.

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(i) Departments and agencies should conduct a formal program of Government monitoring of contractor policies, procedures, and practices for controlling costs (cost monitoring) at contractor locations where—

(A) Sales to the Government, as determined by the contract administration offices, during the contractor's next fiscal year are expected to exceed \$200 million in contracts—

(1) Based on costs incurred; or

(2) Negotiated based on projected costs.

(B) The contract administration office determines the cost benefits derived from monitoring the individual contractors with less than \$200 million in other than firm fixed-price and fixed-price with economic price adjustment contracts—to be warranted; or

(C) Significant Government business exists and is specifically directed by the head of the contracting activity.

(ii) Departments and agencies are responsible for designating the cost monitoring sites and discontinuing them when the criteria are no longer met.

(2) Contract administration offices.

(i) Contract administration offices (CAOs), which are designated as cost monitoring sites, are responsible for—

(A) Assigning a cost monitoring specialist (CMS) to conduct the program. The CMS may be the administrative contracting officer (ACO) or any other CAO employee whose normal function relates to evaluation of contractor performance.

(B) Reviewing and approving the cost monitoring plan for the next fiscal year and the cost monitoring report from the concluding fiscal year.

(ii) The ACO is responsible for—

(A) In the absence of a CMS, ensuring completion of the CMS duties referenced in paragraph (iii) of this section;

(B) Considering review results in direct and indirect rate negotiations and contract negotiations;

(C) Ensuring the contractor implements corrective action recommended in the cost monitoring review reports; and

(D) Resolving disputes with the contractor regarding cost monitoring review findings, conclusions, or recommendations.

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(iii) The CMS is responsible for managing the cost monitoring effort within the CAO and coordinating planned effort with the contract auditor. This includes—

(A) Preparing and maintaining an annual written cost monitoring plan for reviewing contractor operations (see paragraph (d));

(B) Maintaining an inventory of planned and completed CAO, Defense Contract Audit Agency (DCAA), and other Government reviews and audits in order to mitigate duplication of efforts;

(C) Monitoring contractor direct and indirect rates and factors during the year, making comparisons to historical actual costs and to contractor proposed or negotiated forward pricing rates and factors, and providing rate recommendations based on their analysis;

(D) Performing approved functional reviews of contractor activities, to include assisting Government personnel in obtaining access to pertinent contractor policies, procedures, and related data;

(E) Advising the ACO and CAO management of corrective action recommended to improve inefficient or uneconomical contractor conditions, policies, or practices, to include preparing, for the ACO's consideration when appropriate, a Notice of Intent to Disallow or Not Recognize Costs;

(F) Continuously tracking the status of recommendations made to the contractor concerning cost performance stemming from all Government reports;

(G) Keeping the contracting officer, program manager, contract auditor, and other responsible officials informed of issues affecting economical contract performance;

(H) Maintaining current organizational charts of the operations identifiable to the contractor's functional centers of its cost control functions; and

(I) Preparing a final cost monitoring report summarizing all of the cost monitoring functions performed during the Government fiscal year.

(3) *Audit and other organizations.*

(i) The contract auditor is responsible for assisting the CMS by performing the portion of cost monitoring plan and related analyses that requires access to the contractor's financial and accounting records supporting the cost or pricing data. (This does not preclude the program manager, contracting officer, ACO, CMS, or other representatives from reviewing contractor records and data necessary to the performance of their duties.)

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(ii) Audit organizations, program offices, contracting activities, and any other DoD organizations with responsibility for reviewing contractor operations for the purpose of monitoring contractor policies, procedures, and practices to control costs, shall submit to the CMS—

(A) An annual schedule of planned and tentative visits, oversight reviews, and audits to be performed at cost monitoring locations; and

(B) Revisions to scheduled visits or audit plans, within 30 days of issuance.

(d) *Annual cost monitoring plan.*

(1) *Description.*

The annual cost monitoring 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 the CAO, DCAA, and other Government representatives in an effort to reduce unreasonable, erroneous, or improper costs to Government contracts.

(2) *Contents of the plan.*

(i) The plan should—

(A) Provide coverage for each significant activity of the contractor over a period of five to ten 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; and

(D) Be consistent with the approved schedule, and any deviations should be explained in the final cost monitoring report.

(ii) The plan must identify the organizations having the primary responsibility for performing the reviews.

(iii) The plan should include reviews required by the ACO and DFARS. Reviews will be performed by the assigned organization during the coordination phase of the cost monitoring plan, except when DFARS makes a specific organizational assignment. For example, Subpart [244.301](#) makes the ACO responsible for leading contractor purchasing system reviews and [215.407-5-70\(c\)\(3\)](#) makes the DCAA auditor responsible for leading estimating system reviews on behalf of the ACO.

(3) *Selecting the activities.*

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(i) The CAO selects the activities for the cost monitoring plan. DCAA will complete its annual audit plan independently and communicate the approved audit plan to ensure the most effective monitoring approach. To ensure all Government interests are considered in the selection, the CMS should invite CAO, 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 cost monitoring plan.

(ii) The selection team should consider the following data and assign primary responsibility in the selection process—

(A) 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;

(B) Organizational charts for the contractor's entire operation;

(C) Outline of the contractor's accounting system showing the flow of costs by function;

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

(E) List of recent reviews and audits performed by CAO, 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;

(F) Evidence of contractor under or over staffing;

(G) Significant departures from established contractor productivity standards;

(H) Major financial variances from forecasts in prior years;

(I) Evidences of idle or under-used capacity;

(J) Any visits or audit plans scheduled by other Government organizations and identified to the CMS; and

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

(4) *Prioritizing the plan.*

(i) The CMS should prioritize the plan to review contractor activity by considering—

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

- (A) The extent of competition in awarded contracts;
- (B) The contractor's operating methods;
- (C) The nature of the work;
- (D) Acquisition cycle stage;
- (E) Business and industry practices;
- (F) Types of contracts involved;
- (G) Degree of technical and financial risk;
- (H) Previously reported findings and deficiencies;
- (I) Ratio of Government/commercial work;
- (J) Significant changes in the level (dollars) of the contractor's work and backlog; and
- (K) The extent performance efficiencies have been previously demonstrated.

(5) *Plan approval and submission.*

(i) The local DCAA office will provide an approved annual audit plan to the ACO within 30 days after the first day of each fiscal year.

(ii) The CMS will submit an adequate cost monitoring plan to the head of the local CAO within 45 days after the first day of each fiscal year.

(iii) The head of the local CAO, or designee, will approve the annual cost monitoring plan within 15 days of an adequate submission. The head of the local CAO will ensure that adequate coordination of the cost monitoring plan was performed with the DCAA and other responsible Government representatives.

(6) *Reviews and analysis.*

(i) Perform functional reviews and audits as scheduled in accordance with the cost monitoring plan.

(ii) Hold interim meetings with the contractor as necessary to clarify information. Hold an exit conference at the conclusion of reviews.

(iii) Prepare reports at the conclusion of reviews. The ACO will determine whether a Government review or audit report will be provided to a contractor based on specific regulatory requirements or the impact to pending negotiations or litigation.

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(iv) Prepare periodic reports on the results of the CMS analysis and monitoring of the contractors rates and factors, which should address the causes for significant deviations from historical and negotiated forward pricing rates and factors.

(e) *Annual cost monitoring report.*

(1) *Description.*

The annual cost monitoring report is a culmination of the Government activities performed during the 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.

(2) *Contents of the report.*

(i) The report should—

(A) Provide a brief introduction of the contractor and the products it provides to the Government;

(B) Summarize each review and audit completed during the reporting period along with any deviations from the cost monitoring plan;

(C) Highlight open deficiencies, corrected deficiencies, and any newly reported deficiencies; and

(D) Include the current status of all final, billing, and forward pricing rates.

(ii) The annual cost monitoring report is the primary responsibility of the CAO. Incorporate the final DCAA audit reports by summary and reference.

(3) *Report approval and submission.*

(i) The head of the local CAO, or designee, will approve the annual cost monitoring report within 60 days of the end of the Government fiscal year.

(ii) A copy of the approved report will be provided to the head of the local DCAA office within 15 days of approval.