

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(Revised August 29, 2012)

PGI 204.2—CONTRACT DISTRIBUTION

PGI 204.201 Procedures.

(1) The procuring contracting officer (PCO) retains the original signed contract for the official contract file. Administrative contracting officers and termination contracting officers provide the original of each modification to the PCO for retention in the official contract file. Unless otherwise directed by department/agency procedures, the office issuing the orders maintains the original of orders under basic ordering agreements and the original of provisioning orders.

(2) Ensure that distribution of contracts and modifications is consistent with security directives.

(3) Use the following distribution procedures instead of those at FAR 4.201(b) through (f):

(i) Contracts and modifications shall be distributed electronically using the following methods:

(A) Indexed Portable Document Format files shall be sent via the Global Exchange system (GEX) to the Electronic Document Access (EDA) (<http://eda.ogden.disa.mil>) system to provide a human-readable copy of contract documents.

(B) Electronic data files depicting the contract shall be sent in at least one of the following formats via the GEX to EDA and to systems supporting specific offices as set forth in paragraph (ii) below. (Note that the GEX can be used to translate from the formats below to other formats. Organizations should send both formats in parallel unless validation failures have been eliminated.)

(1) American National Standards Institute X.12 Electronic Data Interchange standard transaction sets 850 and 860.

(2) Department of Defense Procurement Data Standard Extensible Markup Language (XML) format.

(ii) After contract execution, provide an electronic data file copy of the contract and modifications in either X.12 or PDS XML to the following:

(A) The contract administration office, if the contracting officer delegates contract administration to another office (see FAR subpart 42.2). The contracting officer also

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

should provide the contract administration office with a copy of the contract distribution list, indicating those offices that should receive copies of modifications, and any changes to the list as they occur.

(B) The payment office. Provide any modification that changes the payment office to both the new and the old payment offices.

(C) Each accounting office whose funds are cited in the contract.

(D) Each consignee specified in the contract. A transshipping terminal is not a consignee. The Defense Logistics Agency (DLA) is authorized to prescribe alternate procedures for distribution of contract documents in DLA Europe and Africa.

(E) The military interdepartmental purchase request requiring activity in the case of coordinated acquisition.

(F) The receiving activity, if the contract or modification provides initial or amended shipping instructions under DFARS [204.7004\(c\)\(3\)\(iii\)](#).

(iii) Provide electronic notice of award via EDA to the following:

(A)(1) The appropriate Defense Contract Audit Agency (DCAA) office, as listed in DCAAP 5100.1, Directory of DCAA Offices, or as obtained through the DCAA cognizant field audit office locator, both available via the Internet at <http://www.dcaa.mil>, if the contract or modification is one of the following types:

(i) Cost-reimbursement.

(ii) Time-and-materials.

(iii) Labor-hour.

(iv) Fixed-price with provisions for redetermination, cost incentives, economic price adjustment based on cost, or cost allowability.

(v) Any other contract that requires audit service.

(2) If there is a question as to the appropriate DCAA field audit office, request the assistance of the DCAA financial liaison advisor or the nearest DCAA field audit office.

(B) Those organizations required to perform contract administration support functions (e.g., when manufacturing is performed at multiple sites, provide a copy to the contract administration office cognizant of each location).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(C) The cognizant administrative contracting officer when the contract is not assigned for administration but contains a Cost Accounting Standards clause. Indicate that the copy is provided “For Cost Accounting Standards Administration Only” (see FAR 30.601(b)); and

(D) The cognizant Defense Security Service office listed in DoD 5100.76-M, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives, when the clause at DFARS [252.223-7007](#), Safeguarding Sensitive Conventional Arms, Ammunition, and Explosives, is included in the contract. An extract of the pertinent information can be provided instead of the contract.

(iv) If electronic distribution is not available, provide one paper copy to each location identified in paragraphs (3)(i) through (iii) of this section.

PGI 204.270 Electronic Document Access.

All contracting officers shall obtain an account in the Electronic Document Access (EDA) system, as required by DPAP Policy letter dated November 3, 2009 ([click here to see document](#)). For detailed information on EDA and the Contract Deficiency Reports process, please visit the EDA homepage at <http://eda.ogden.disa.mil>. There is also a training link where you can find the Contract Deficiency Reports module that explains the entire Contract Deficiency Reports process.

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(Revised August 29, 2012)

PGI 204.70—UNIFORM PROCUREMENT INSTRUMENT IDENTIFICATION NUMBERS

PGI 204.7001 Policy.

(c)(i) Continued contracts are issued solely for administrative reasons and do not constitute a new procurement. When issuing a continued contract, the contracting officer shall—

(A) Obtain approval at a level above the contracting officer before issuance of the continued contract;

(B) Assign a procurement instrument identification (PII) number to the continued contract that is different from the PII number assigned to the predecessor contract, using the uniform PII numbering system prescribed in DFARS [204.7002](#), [204.7003](#), and [204.7004](#). The predecessor contract will retain the PII number originally assigned to it;

(C) Find a clear breaking point (for example, between issuance of orders, exercise of options, or establishment of a new line of accounting) to issue the continued contract;

(D) Clearly segregate contractual requirements for purposes of Government inspection, acceptance, payment, and closeout. Supplies already delivered and services already performed under the predecessor contract will remain under the predecessor contract. This will allow the predecessor contract to be closed out when all inspection, acceptance, payment, and other closeout issues associated with supplies delivered and services performed under the predecessor contract are complete;

(E) Include in the continued contract all terms and conditions of the predecessor contract that pertain to the supplies and services yet to be delivered or performed. At the time it is issued, the continued contract may not in any way alter the prices or terms and conditions established in the predecessor contract;

(F) Not evade competition, expand the scope of work, or extend the period of performance beyond that of the predecessor contract;

(G) Provide advance notice to the contractor before issuance of the continued contract, to include the PII number and the effective date of the continued contract;

(H) Modify the predecessor contract to—

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(1) Reflect any necessary administrative changes such as transfer of Government property, and make the Government property accountable under the continued contract;

(2) Clearly state that future performance (e.g., issuance of orders or exercise of options) will be accomplished under the continued contract; and

(3) Specify the administrative reason for issuing the continued contract;
and

(l) Reference the predecessor contract PII number on the face page of the continued contract to ensure traceability.

(ii) Sample language for the administrative modification to the predecessor contract is provided below:

“This modification is issued for administrative purposes to facilitate continued contract performance due to *[state the reason for assigning an additional PII number]*. This modification is authorized in accordance with DFARS [204.7001](#)(c).

Supplies and services already acquired under this contract number shall remain solely under this contract number for purposes of Government inspection, acceptance, payment, and closeout. All future *[delivery orders]* *[task orders]* *[options exercised]* will be accomplished under continued contract XXXXXXXX.”

PGI 204.7005 Order code monitors.

(b) Contracting activities submit requests for assignment of or changes in two-character order codes to their respective monitors in accordance with department/agency procedures.

(1) Order code monitors—

(i) Approve requests for additions, deletions, or changes; and

(ii) Provide notification of additions, deletions, or changes to Defense Procurement and Acquisition Policy, Program Development and Implementation (OUSD(AT&L)/DPAP(PDI)), 3060 Defense Pentagon, Washington, DC 20301-3060 or email at osdcallordercodes@osd.mil.

(2) Order code monitors are—

ARMY

Office of the Deputy Assistant
Secretary of the Army
(Procurement)

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

	Attn: SAAL-ZP (RM 2E520) 103 Army Pentagon Washington, DC 20310-0103
NAVY AND MARINE CORPS	Office of the Assistant Secretary of the Navy (RD&A) 1000 Navy Pentagon, Room BF992 Washington, DC 20350-1000
AIR FORCE	SAF/AQCI 1060 Air Force Pentagon Washington, DC 20330-1060
DEFENSE LOGISTICS AGENCY	Defense Logistics Agency DLA Acquisition Policy and Systems Division (J71) John J. Kingman Road Fort Belvoir, VA 22060-6221
OTHER DEFENSE AGENCIES	Defense Procurement and Acquisition Policy Attn: Program Development and Implementation 3060 Defense Pentagon Washington, DC 20301-3060 or email osdcallordercodes@osd.mil

(3) Order code assignments can be found at
http://www.acq.osd.mil/dpap/dars/order_code_assignments.html.

PGI 204.7006 Cross reference to Federal Procurement Data System.

DPAP policy letter dated July 8, 2010, subject: Contract Indexing Standard (viewable [here](#)) provides detailed guidance and a matrix on mapping PII and supplementary PII numbers stored in the Electronic Document Access system to data elements reported in the Federal Procurement Data System. The attachment for this DPAP policy is provided in the following matrices, which should be used as a cross reference between terms in the DFARS and the Federal Procurement Data System.

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

ELEMENTS NEEDED TO IDENTIFY A DEPARTMENT OF DEFENSE PROCUREMENT ACTION				
Procurement Instrument Action Type	Reference Procurement Instrument (Reference Use Only)	Required as shown below to uniquely identify the action.		
		Procurement Instrument Identification Number (aka Contract Number)	Order Number	Modification Number
BPA or Order under a Schedule or other non-DoD Instrument	E	A		
Order against a BPA under a Schedule	E	A	B	
DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument		A		
Order against a DoD Stand Alone Contract, BOA, BPA or other instrument		A	B	
Modification to a BPA or Order under a Schedule or other non-DoD Instrument	E	A		C
Modification to an Order against a BPA under a Schedule	E	A	B	D
Modification to a DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument		A		C
Modification to an Order against a DoD Stand Alone Contract, BOA, or BPA		A	B	D

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

STRUCTURE OF REQUIRED IDENTIFIERS				
Key and Description		Format		
A - DoD Procurement Instrument Identification Number (PIIN)	Consists of concatenation of following four fields:			
	Enterprise Identifier - DODAAC of contracting office	Fiscal Year in which award is made	Procurement Instrument Type Code	Serialized Identifier
	Six Alphanumeric excluding 'I' and 'O'	2 Numeric	1 Alpha (list)	Four Alphanumeric excluding 'I' and 'O'. '0000' is not an acceptable value.
B - DoD Order Number (Supplementary Procurement Instrument Identification Number (SPIIN))	Four Alphanumeric excluding 'I' and 'O', 'A' and 'P' prohibited in first position. '0000' is not an acceptable value.			
C - DoD Procurement Instrument Modification Identifier (Supplementary Procurement Instrument Identification Number (SPIIN))	Six Alphanumeric beginning with 'A' or 'P', excluding 'I' and 'O'. 'P00000' and 'A00000' are not acceptable values			
D - DoD Order Modification Identifier (Supplementary Procurement Instrument Identification Number (SPIIN))	Two Alphanumeric excluding 'I' and 'O'. '00' is not an acceptable value.			
E -- Non DoD Procurement Instrument Number	4 to 50 Alphanumeric			

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

FPDS Crosswalk	FPDS FIELD NAME			
	REF_IDV_PIID	REF_IDV_MODIFICATION_NUMBER	PIID	MODIFICATION_NUMBER
BPA or Order under a Schedule or other non-DoD Instrument	E	Use "0"	A	Use "0"
Order against a BPA under a Schedule	A	Use "0"	B*	Use "0"
DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument			A	Use "0"
Order against a DoD Stand Alone Contract, BOA, BPA or other instrument	A	Use "0"	B*	Use "0"
Modification to a BPA or Order under a Schedule or other non-DoD Instrument			A	C
Modification to an Order against a BPA under a Schedule	A	Use "0"	B*	D*
Modification to a DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument			A	C
Modification to an Order against a DoD Stand Alone Contract, BOA, or BPA	A	Use "0"	B*	D*

* Note that FPDS strips leading zeroes, so that modification 02 to order 0024 is shown as modification 2 to order 24

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(Revised August 29, 2012)

PGI 204.71—UNIFORM CONTRACT LINE ITEM NUMBERING SYSTEM

PGI 204.7103 Contract line items.

PGI 204.7103-2 Numbering procedures.

(a) Contract line items shall consist of four numeric digits 0001 through 9999. Do not use numbers beyond 9999. Within a given contract, the item numbers shall be sequential but need not be consecutive.

(b) The contract line item number shall be the same as the solicitation line item number unless there is a valid reason for using different numbers.

(c) Once a contract line item number has been assigned, it shall not be assigned to another, different, contract line item in the same contract.

PGI 204.7104 Contract subline items.

PGI 204.7104-2 Numbering procedures.

(a) Number subline items by adding either two numeric characters or two alpha characters to the basic contract line item number.

(1) *Information subline item numbers.* Use numeric characters only for information subline items, running 01 through 99. Do not use spaces or special characters to separate the subline item number from the contract line item number that is its root. For example, if the contract line item number is 0001, the first three subline items would be 000101, 000102, and 000103. Do not use a designation more than once within a contract line item.

(2) *Separately identified subline items.* Use alpha characters only for separately identified subline items, running AA through ZZ. Do not use spaces or special characters to separate the subline item number from the contract line item number that is its root. For example, if the contract line item number is 0001, the first three subline items would be 0001AA, 0001AB, and 0001AC.

(i) Do not use the letters I or O as alpha characters.

(ii) Use all 24 available alpha characters in the second position before selecting a different alpha character for the first position. For example, AA, AB, AC, through AZ before beginning BA, BB, and BC.

(b) Within a given contract line item, the subline item numbers shall be sequential but

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

need not be consecutive.

(c) Exhibits may be used as an alternative to setting forth in the schedule a long list of contract subline items. If exhibits are used, create a contract subline item citing the exhibit's identifier. See DFARS [204.7105](#).

(d) If a contract line item involves ancillary functions, like packaging and handling, transportation, payment of state or local taxes, or use of reusable containers, and these functions are normally performed by the contractor and the contractor is normally entitled to reimbursement for performing these functions, do not establish a separate subline item solely to account for these functions. However, do identify the functions in the contract schedule. If an offeror separately prices these functions, the contracting officer may establish separate subline items for the functions; however, the separate subline items must conform to the requirements of DFARS [204.7104-1](#).

(e) The following examples illustrate subline items numbering—

(1) Subline items structured to identify destinations for identical items, identically priced (delivery schedule shall be established for each subline item, not the contract line item).

ITEM NO.	SUPPLIES/SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	NSN 1615-00-591-6620 Shim, Aluminum Alloy,... Appl, Rotor, Helicopter PRON A1-9-63821-M1- M1 ACRN:AA				
0001AA	A3168R-9030-4025 A2537M IPD: 2 RDD: 334 PROJ: 501	10	EA	\$100.00	\$1,000.00
0001AB	A3168R-9030-4026 A51AXB M IPD: 2 RDD: 325 PROJ: 502	10	EA	\$100.00	\$1,000.00
0001AC	A3168R-9030-4027 A67KBCM IPD: 2 RDD: 349 PROJ: 503	15	EA	\$100.00	\$1,500.00

(2) Subline items structured to identify destinations for identical items, not identically priced (delivery schedule shall be established for each subline item, not the contract line item).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

ITEM NO.	SUPPLIES/SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	NSN 1615-00-591-6620 Shim, Aluminum Alloy,... Apbl, Rotor, Helicopter PRON A1-9-63821-M1- M1 ACRN:AA				
0001AA	A3168R-9030-4025 A2537M IPD: 2 RDD: 334 PROJ: 501	10	EA	\$100.00	\$1,000.00
0001AB	A3168R-9030-4026 A51AXBM IPD: 2 RDD: 325 PROJ: 502	20	EA	\$99.00	\$1,980.00
0001AC	A3168R-9030-4027 A67KBCM IPD: 2 RDD: 349 PROJ: 503	30	EA	\$98.00	\$2,940.00

NOTE: Difference in prices for identical items is due to separate destinations for FOB destination delivery.

(3) Subline items structured to identify different sizes of an item that are identically priced (delivery schedule shall be established for each subline item, not the contract line item).

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0013	Boots Insulated, Cold Weather White, Type II, Class 1				
0013AA	8430-00-655-5541 Size 5N	50			
0013AB	8430-00-655-5544 Size 8N	70			
0013AC	8430-00-655-5551 Size 9N	30			
0013AD	8430-00-655-5535 Size 9R	200			
			PR	\$38.35	\$13,422.50

NOTE: Unit price and total amount shown at line item level rather than at subline item level.

(4) Subline items structured to identify different sizes of an item that are not identically priced (delivery schedule shall be established for each subline item, not the contract line item).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0002	Body Armor Ground Troops Variable Type Small Arms, Fragmentation Protective Nylon Felt Vest, Front and Back Plates, Ceramic Plate, Type I				
0002AA	First Article	1	LO	NSP	
0002AB	8470-00-141-0935 Medium Regular	1936	SE	\$331.77	\$642,306.72
0002AC	8470-00-141-0936 Large Regular	625	SE	\$355.77	\$222,356.25
0002AD	8470-00-141-0937, Medium Long	1237	SE	\$346.77	\$428,954.49
0002AE	8470-00-141-0938, Large Long	804	SE	\$365.77	\$294,079.08

(5) Subline items structured to provide the capability for relating subordinate separately priced packaging costs to the overall contract line item. (Separate delivery schedules shall be established for the subline item identifying the contractor's product and for the subline item identifying packaging. No schedule will be established for the contract line item.)

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	6105-00-635-6568 50380 Ref No 63504-WZ Armature Motor ACRN: AA				
0001AA	6105-00-635-6568 50380 Ref No 63504-WZ Armature Motor ACRN: AA	2	EA	\$2,895.87	\$5,791.74
0001AB	Packaging ACRN:AA	2	EA	\$289.58	\$579.16

(6) Subline items structured to identify different accounting classifications for identical items (delivery schedule shall be established for each subline item, not the contract line item).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

AJ: 17X150518350315069100000192B00000000000000000000

AK: 17X150518370317569100000192B00000000000000000000

AL: 17X150519350314369100000192B00000000000000000000

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0002	Pulse Decoder KY-312/A5Q-19		EA	\$3,037.40	
0002AA	Pulse Decoder KY-312/A5Q-19 ACRN: AJ	2			\$6,074.80
0002AB	Pulse Decoder KY-312/A5Q-19 ACRN: AK	6			\$18,224.40
0002AC	Pulse Decoder KY-312/A5Q-19 ACRN: AL	2			\$6,074.80

NOTE: Unit price may be shown at line item level and total amounts shown at subline item level.

(7) Informational subline items established to identify multiple accounting classification citations assigned to a single contract line item.

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	Air Vehicle 000101 ACRN:AA \$3,300,000 000102 ACRN:AB \$2,000,000 000103 ACRN:AC \$1,400,000	1	EA	\$6,700,000	\$6,700,000

(8) Subline items structured to identify parts of an assembly (delivery schedule and price shall be established for each identified part at the subline item level, not for the assembly at the contract line item level).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0003	Automatic Degaussing System Consisting of: (2 ea @ \$52,061; \$104,122 total)				
0003AA	Switchboard	2	EA	\$52,061.00	\$104,122.00
0003AB	Remote Control Panel	2	EA	NSP	
0003AC	Power Supply (M Coil) SSM Type 145 Amps, 220 V DC)	2	EA	NSP	
*	* *			*	*
0003AF	Power Supply (A Coil) SSM Type (118 Amps, 220 V DC)	2	EA	NSP	

(9) Subline items structured to identify parts of a kit (delivery schedule and price shall be established for each identified part at the subline item level, not for the kit at the contract line item level).

ITEM NO.	SUPPLIES/ SERVICE	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0031	Conversion Kit to Convert Torpedo MK 45 Mod 0 to Torpedo MK 45 Mod 1 (50 Kt @ \$10,868.52; \$543,426 total)				
0031AA	Integrator Assy LD 620106	50	EA	\$10,868.52	\$543,426.00
0031AB	Pulse Generator Assy LD 587569	50	EA	NSP	
0031AC	Drive Shaft Assy LD 587559	50	EA	NSP	
*	* *			*	
0031BF	Actual Panel Assy LD 542924	50	EA	NSP	

NOTE: In this example, the prices of subline items 0031AB through 0031BF are included in the Integrator Assembly.

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

PGI 204.7105 Contract exhibits and attachments.

(a) *Use of exhibits.*

(1) Exhibits may be used instead of putting a long list of contract line items or subline items in the contract schedule. Exhibits are particularly useful in buying spare parts.

(2) When using exhibits, establish a contract line or subline item and refer to the exhibit.

(3) Identify exhibits individually.

(4) Each exhibit shall apply to only one contract line item or subline item.

(5) More than one exhibit may apply to a single contract line item.

(6) Data items on a DD Form 1423, Contract Data Requirements List, may be either separately priced or not separately priced.

(i) Separately priced. When data are separately priced, enter the price in Section B of the contract.

(ii) Not separately priced. Include prices in a priced contract line item or subline item.

(7) The contracting officer may append attachments to exhibits, as long as the attachment does not identify a deliverable requirement that has not been established by a contract line item or subline item or exhibit line or item.

(8) Include exhibit line items and associated information in the electronically distributed contract documents identified in [PGI 204.201](#)(3)(i)(A) and (B).

(b) *Numbering exhibits and attachments.*

(1) Use alpha characters to identify exhibits. The alpha characters shall be either single or double capital letters. Do not use the letters I or O.

(2) Once an identifier has been assigned to an exhibit, do not use it on another exhibit in the same contract.

(3) The identifier shall always appear in the first or first and second positions of all applicable exhibit line item numbers.

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(4) If the exhibit has more than one page, cite the procurement instrument identification number, exhibit identifier, and applicable contract line or subline item number on each page.

(5) Use numbers to identify attachments.

(c) *Numbering exhibit line items.*

(1) Criteria for establishing. The criteria for establishing exhibit line items are the same as those for establishing contract line items (see DFARS [204.7103](#)).

(2) Procedures for numbering.

(i) Number items in an exhibit in a manner similar to contract line items.

(ii) Number line items using a four-position number.

(A) The first position or the first and second position contain the exhibit identifier.

(B) The third and fourth positions contain the alpha or numeric character serial numbers assigned to the line item when using a double letter exhibit identifier. The second, third and fourth positions contain the alpha or numeric character serial numbers assigned to the line item when using a single letter exhibit identifier.

(iii) Exhibit line item numbers shall be sequential within the exhibit.

(3) Examples.

(i) Two-position serial number for double letter exhibit identifier.

<u>Cumulative No. of Line Items</u>	<u>Serial Number Sequence</u>
1-33	01 thru 09, then 0A thru 0Z, then
34-67	10 thru 19, then 1A thru 1Z, then
68-101	20 thru 29, then 2A thru 2Z, then
102-135	30 thru 39, then 3A thru 3Z, then
136-169	40 thru 49, then 4A thru 4Z, then
170-203	50 thru 59, then 5A thru 5Z, then

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

204-237	60 thru 69, then 6A thru 6Z, then
238-271	70 thru 79, then 7A thru 7Z, then
272-305	80 thru 89, then 8A thru 8Z, then
306-339	90 thru 99, then 9A thru 9Z, then
340-373	A0 thru A9, then AA thru AZ, then
374-407	B0 thru B9, then BA thru BZ, then
408-441	C0 thru C9, then CA thru CZ, then
442-475	D0 thru D9, then DA thru DZ, then
476-509	E0 thru E9, then EA thru EZ, then
510-543	F0 thru F9, then FA thru FZ, then
544-577	G0 thru G9, then GA thru GZ, then
578-611	H0 thru H9, then HA thru HZ, then
612-645	J0 thru J9, then JA thru JZ, then
646-679	K0 thru K9, then KA thru KZ, then
680-713	L0 thru L9, then LA thru LZ, then
714-747	M0 thru M9, then MA thru MZ, then
748-781	N0 thru N9, then NA thru NZ, then
782-815	P0 thru P9, then PA thru PZ, then
816-849	Q0 thru Q9, then QA thru QZ, then
850-883	R0 thru R9, then RA thru RZ, then
884-917	S0 thru S9, then SA thru SZ, then
918-951	T0 thru T9, then TA thru TZ, then

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

952-985	U0 thru U9, then UA thru UZ, then
986-1019	V0 thru V9, then VA thru VZ, then
1020-1053	W0 thru W9, then WA thru WZ, then
1054-1087	X0 thru X9, then XA thru XZ, then
1088-1121	Y0 thru Y9, then YA thru YZ, then
1122-1155	Z0 thru Z9, then ZA thru ZZ

(ii) Three-position numbers.

<u>Cumulative No. of Line Items</u>	<u>Serial Number Sequence</u>
1-33	01 thru 009, then 00A thru 00Z, then
34-67	010 thru 019, then 01A thru 01Z, then
68-101	020 thru 029, then 02A thru 02Z, then
102-135	030 thru 039, then 03A thru 03Z and
136-305	so on to
306-339	090 thru 099, then 09A thru 09Z, then
340-373	0A0 thru 0A9, then 0AA thru 0AZ, then
374-407	0B0 thru 0B9, then 0BB thru 0BZ, then
408-441	0C0 thru 0C9, then 0CA thru 0CZ, and
442-1121	so on to
1122-1155	0Z0 thru 0Z9, then 0ZA thru 0ZZ, then
1156-1189	100 thru 109, then 10A thru 10Z, then
1190-1223	110 thru 119, then 11A thru 11Z, then

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

1224-1257	120 thru 129, then 12A thru 12Z, and
1258-1461	so on to
1462-1495	190 thru 199, then 19A thru 19Z, then
1496-1529	1A0 thru 1A9, then 1AA thru 1AZ, then
1530-1563	1B0 thru 1B9, then 1BA thru 1BZ, and
1564-2277	so on to
2278-2311	1Z0 thru 1Z9, then 1ZA thru 1ZB, then
2312-2345	200 thru 109, then 10A thru 10Z, then
2346-2379	210 thru 219, then 21A thru 21Z, then
2380-2413	220 thru 229, then 22A thru 22Z, and
2414-2617	so on to
2618-2651	290 thru 299, then 29A thru 29Z, then
2652-2685	2A0 thru 2A9, then 2AA thru 2AZ, then
2686-2719	2B0 thru 2B9, then 2BA thru 2BZ, and
2720-3433	so on to
3434-3467	2Z0 thru 2Z9, then 2ZA thru 2ZZ, then
3468-3501	300 thru 309, then 30Z thru 30Z, and
3502-10403	so on to
10404-10437	900 thru 909, then 90A thru 90Z, then
10438-10471	910 thru 919, then 91A thru 91Z, and
10472-10709	so on to
10710-10743	990 thru 999, then 99A thru 99Z, then

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

10744-10777	9A0 thru 9A9, then 9AA thru 9AZ, then
10778-10811	9B0 thru 9B9, then 9BA thru 9BZ, and
10812-11525	so on to
11526-11559	9Z0 thru 9Z9, then 9ZA thru 9ZZ

PGI 204.7107 Contract accounting classification reference number (ACRN) and agency accounting identifier (AAI).

(a) *Establishing the contract ACRN.*

(1) The contracting office issuing the contract is responsible for assigning ACRNs. This authority shall not be delegated. If more than one office will use the contract (e.g., ordering officers, other contracting officers), the contract must contain instructions for assigning ACRNs.

(2) ACRNs shall be established in accordance with the following guidelines:

(i) Do not use the letters I and O.

(ii) In no case shall an ACRN apply to more than one accounting classification citation, nor shall more than one ACRN be assigned to one accounting classification citation.

(b) *Establishing an AAI.* An AAI, as detailed <http://www.acq.osd.mil/dpap/policy/policyvault/USA002246-09-DPAP.pdf>, is a six-digit data element that identifies a system in which accounting for specific funds is performed. The funding office will provide to the contracting office the AAI associated with the funding for each line item.

(c) *Capturing accounting and appropriations data in procurement.* Procurement instruments shall identify the funding used for the effort in one of two ways.

(1) In legacy system environments where the contracting and accounting processes are not sufficiently integrated to ensure use of the Procurement Instrument Identification Numbers (PIINs) (see DFARS [204.70](#)) and line item numbers as common keys, the contract shall include the accounting and appropriations data and ACRN as follows:

(i) Show the ACRN as a detached prefix to the accounting classification citation in the accounting and appropriations data block or, if there are too many

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

accounting classification citations to fit reasonably in that block, in section G (Contract Administration Data).

(ii) ACRNs need not prefix accounting classification citations if the accounting classification citations are present in the contract only for the transportation officer to cite to Government bills of lading.

(iii) If the contracting officer is making a modification to a contract and using the same accounting classification citations, which have had ACRNs assigned to them, the modification need cite only the ACRNs in the accounting and appropriations data block or on the continuation sheets.

(iv) *Showing the ACRN in the contract.* If there is more than one ACRN in a contract, all the ACRNs will appear in several places in the schedule (e.g., ACRN: AA).

(A) *Ship-to/mark-for block.* Show the ACRN beside the identity code of each activity in the ship-to/mark-for block unless only one accounting classification citation applies to a line item or subline item. Only one ACRN may be assigned to the same ship-to/mark-for within the same contract line or subline item number unless multiple accounting classification citations apply to a single nonseverable deliverable unit such that the item cannot be related to an individual accounting classification citation.

(B) *Supplies/services column.*

(1) If only one accounting classification citation applies to a line item or a subline item, the ACRN shall be shown in the supplies/services column near the item description.

(2) If more than one accounting classification citation applies to a single contract line item, identify each assigned ACRN and the amount of associated funds using informational subline items (see DFARS [204.7104-1\(a\)](#)).

(2) The contract shall include AAls and ACRNs in system environments where the accounting systems are able to use PIINs and line item numbers as common keys to enable traceability of funding to contract actions. Include AAls and ACRNs as follows:

(i) *Showing the ACRN in the contract.* If there is more than one ACRN in a contract, all the ACRNs will appear in several places in the schedule (e.g., ACRN: AA).

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(A) *Ship-to/mark-for block.* Show the ACRN beside the identity code of each activity in the ship-to/mark-for block unless only one accounting classification citation applies to a line item or subline item. Only one ACRN may be assigned to the same ship-to/mark-for within the same contract line or subline item number unless multiple accounting classification citations apply to a single nonseverable deliverable unit such that the item cannot be related to an individual accounting classification citation.

(B) *Supplies/services column.*

(1) If only one accounting classification citation applies to a line item or a subline item, the ACRN shall be shown in the supplies/services column near the item description.

(2) If more than one accounting classification citation applies to a single contract line item, identify each assigned ACRN and the amount of associated funds using informational subline items (see DFARS [204.7104-1\(a\)](#)).

(ii) *Showing the AAI in the contract.* If there is more than one AAI in a contract, show the AAI in the supplies/services column of the Schedule next to the ACRN. A sample showing the AAI is as follows:

ITEM	SUPPLIES/SERVICES	QUANTIT	UNIT	UNIT PRICE	AMOUNT
MILSTRIP: N0001906P7PM230		Y			
PURCHASE REQUEST NUMBER: 0010144885-0001					
ACRN: AA	BRU-32 B/A	23	Each	\$22,206.00	\$510,738.00
	Ejector Bomb Rack				

MILSTRIP: N0001906P7PM230
PURCHASE REQUEST NUMBER: 0010144885-0001
ACRN: AA
AAI: 050119

PGI 204.7108 Payment instructions.

(a) *Scope.* This section applies to contracts and any separately priced orders that--

(1) Include contract line items that are funded by multiple accounting classification citations for which a contract line item or items are not broken out into separately identifiable subline items (informational subline items are not separately identifiable subline items);

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

- (2) Contain cost-reimbursement or time-and-materials/labor-hour line items; or
- (3) Authorize financing payments.

(b) For contracts and orders covered by this subpart, the contracting officer shall insert numbered instructions in Section G (Contract Administration Data), to permit the paying office to charge the accounting classification citations assigned to that contract line item (see DFARS [204.7104-1\(a\)](#)) in a manner that reflects the performance of work on the contract. When incorporating clauses by reference in Section G, cite the clause number, title, and date. If additional accounting classification citations are subsequently added, the payment instructions must be modified to include the additional accounting classification citations. Also, contracting officers shall not issue modifications that would create retroactive changes to payment instructions. All payment instruction changes shall be effective as of the date of the modification. When some, but not all, of the fixed price line items in a contract are subject to contract financing payments, the contracting officer shall clearly identify to which line items the payment clause(s) included in Section I apply.

(c) Payment instructions—

- (1) Shall provide a methodology for the payment office to assign payments to the appropriate accounting classification citation(s), based on anticipated contract work performance;
- (2) Shall be consistent with the reasons for the establishment of separate contract line items;
- (3) Shall be selected from those provided in paragraph (d) of this section;
- (4) Shall be revised to address the impact of changes to contract funding or significant disparities between existing instructions and actual contract performance;
- (5) Shall state at what level (contract, contract line, subline, exhibit line, or ACRN) the payment instructions should be applied;
- (6) Shall not be mixed within a level by contract type. For example, if the instructions apply at the contract level, there can be only one payment instruction for each contract type. If the instructions apply at the contract line or subline level, there can only be one payment instruction per contract line or subline item;
- (7) For contracts or orders that contain a combination of fixed-price, cost-reimbursement, and/or time-and-materials/labor-hour line items, shall at a minimum include separate instructions for each contract type of contract line item (e.g., contract-wide proration for fixed-price line items and contract-wide ACRN level for cost-reimbursement line items);

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(8) For contracts or orders that contain foreign military sales requirements, shall include instructions for distribution of the contract financing payments to each country's account; and

(9) Shall use one of the standard payment instructions in paragraphs (d)(7) through (11) of this section unless the contracting officer documents in the contract file that there are significant benefits of requiring contractor identification of the contract line item on the payment request.

(d) The numbered payment instructions ((d)(1) through (12)) below correspond to the automated payment instructions in the supporting systems; therefore, care should be exercised when identifying the numbered instructions below in Section G of the contract. Include either one contract-wide instruction or one or more line item specific instructions. The contracting officer shall not use a combination of contract-wide and line item specific instructions.

(1) *Line item specific: single funding.* If there is only one source of funding for the contract line item (i.e., one ACRN), insert the following:

252.204-0001 Line Item Specific: Single Funding. (SEP 2009)

The payment office shall make payment using the ACRN funding of the line item being billed.

(2) *Line item specific: sequential ACRN order.* If there is more than one ACRN within a contract line item (i.e., informational subline items contain separate ACRNs), and the contracting officer intends funds to be liquidated in ACRN order, insert the following:

252.204-0002 Line Item Specific: Sequential ACRN Order. (SEP 2009)

The payment office shall make payment in sequential ACRN order within the line item, exhausting all funds in the previous ACRN before paying from the next ACRN using the following sequential order: Alpha/Alpha; Alpha/numeric; numeric/alpha; and numeric/numeric.

(3) *Line item specific: contracting officer specified ACRN order.* If there is more than one ACRN within a contract line item, (i.e. informational sub-line items contain separate ACRNs), and the contracting officer intends the funds to be liquidated in a specified ACRN order, insert the following, including the specified order in the instruction:

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

252.204-0003 Line Item Specific: Contracting Officer Specified ACRN Order. (SEP 2009)

The payment office shall make payment within the line item in the sequence ACRN order specified below, exhausting all funds in the previous ACRN before paying from the next ACRN.

Line Item	ACRN Order
_____	_____
_____	_____

(4) *Line item specific: by fiscal year.* If there is more than one ACRN within a contract line item, [(i.e. informational sub-line items contain separate ACRNs), and the contracting officer intends the funds to be liquidated using the oldest funds first, insert the following:

252.204-0004 Line Item Specific: by Fiscal Year. (SEP 2009)

The payment office shall make payment using the oldest fiscal year appropriations first, exhausting all funds in the previous fiscal year before disbursing from the next fiscal year. In the event there is more than one ACRN associated with the same fiscal year, the payment amount shall be disbursed from each ACRN within a fiscal year in the same proportion as the amount of funding obligated for each ACRN within the fiscal year.

(5) *Line item specific: by cancellation date.* If there is more than one ACRN within a contract line item, (i.e. informational sub-line items contain separate ACRNs), and the contracting officer intends the funds to be liquidated using the ACRN with the earliest cancellation date first, insert the following:

252.204-0005 Line Item Specific: by Cancellation Date. (SEP 2009)

The payment office shall make payment using the ACRN with the earliest cancellation date first, exhausting all funds in that ACRN before disbursing funds from the next. In the event there is more than one ACRN associated with the same cancellation date, the payment amount shall be disbursed from each ACRN with the same cancellation date in the same proportion as the amount of funding obligated for each ACRN with the same cancellation date.

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

(6) *Line item specific: proration.* If there is more than one ACRN within a contract line item, (i.e. informational sub-line items contain separate ACRNs), and the contracting officer intends the funds to be liquidated in the same proportion as the amount of funding currently unliquidated for each ACRN, insert the following:

252.204-0006 Line Item Specific: Proration. (SEP 2009)

The payment office shall make payment from each ACRN in the same proportion as the amount of funding currently unliquidated for each ACRN.

(7) *Contract-wide: sequential ACRN order.* If the contracting officer intends the funds to be liquidated in sequential ACRN order, insert the following:

252.204-0007 Contract-wide: Sequential ACRN Order. (SEP 2009)

The payment office shall make payment in sequential ACRN order within the contract or order, exhausting all funds in the previous ACRN before paying from the next ACRN using the following sequential order: alpha/alpha; alpha/numeric; numeric/alpha; and numeric/numeric.

(8) *Contract-wide: contracting officer specified ACRN order.* If the contracting officer intends the funds to be liquidated in a specified ACRN order, insert the following, including the specified order in the instruction:

252.204-0008 Contract-wide: Contracting Officer Specified ACRN Order. (SEP 2009)

The payment office shall make payment in sequential ACRN order within the contract or order, exhausting all funds in the previous ACRN before paying from the next ACRN in the sequence order specified below:

ACRN Order

(9) *Contract-wide: by fiscal year.* If the contracting officer intends the funds to be liquidated in fiscal year order, insert the following:

DFARS Procedures, Guidance, and Information

PGI 204—Administrative Matters

252.204-0009 Contract-wide: by Fiscal Year. (SEP 2009)

The payment office shall make payment using the oldest fiscal year appropriations first, exhausting all funds in the previous fiscal year before disbursing from the next fiscal year. In the event there is more than one ACRN associated with the same fiscal year, the payment amount shall be disbursed from each ACRN within a fiscal year in the same proportion as the amount of funding obligated for each ACRN within the fiscal year.

(10) *Contract-wide: by cancellation date.* If the contracting officer intends the funds to be liquidated in fiscal year order, insert the following:

252.204-0010 Contract-wide: by Cancellation Date. (SEP 2009)

The payment office shall make payment using the ACRN with the earliest cancellation date first, exhausting all funds in that ACRN before disbursing funds from the next. In the event there is more than one ACRN associated with the same cancellation date, the payment amount shall be disbursed from each ACRN with the same cancellation date in the same proportion as the amount of funding obligated for each ACRN with the same cancellation date.

(11) *Contract-wide: proration.* If the contract or order that provides for progress payments based on costs, (unless the administrative contracting officer authorizes use of one of the other options), or if the contracting officer intends the funds to be liquidated in the same proportion as the amount of funding currently unliquidated for each ACRN, insert the following:

252.204-0011 Contract-wide: Proration. (SEP 2009)

The payment office shall make payment from each ACRN within the contract or order in the same proportion as the amount of funding currently unliquidated for each ACRN.

(12) *Other.* If none of the standard payment instructions identified in paragraphs (d)(1) through (11) of this section are appropriate, the contracting officer may insert other payment instructions, provided the other payment instructions--

(i) Provide a significantly better reflection of how funds will be expended in support of contract performance; and

(ii) Are agreed to by the payment office and the contract administration office.

DFARS Procedures, Guidance, and Information

PGI 210—Market Research

(Revised August 29, 2012)

PGI 210.002 Procedures.

PGI 210.070 Market research report guide for improving the tradecraft in services acquisition.

The “Market Research Report Guide for Improving the Tradecraft in Services Acquisition” is designed to effect the collection and sharing of standardized market research information across the Department. The guide is available for download at http://www.acq.osd.mil/dpap/cpic/cp/market_research.html.

DFARS Procedures, Guidance, and Information

PGI 211—Describing Agency Needs

(Revised August 29, 2012)

PGI 211.2—USING AND MAINTAINING REQUIREMENTS DOCUMENTS

PGI 211.201 Identification and availability of specifications.

(1) Specifications, standards, and data item descriptions are indexed in the Acquisition Streamlining and Standardization Information System (ASSIST).

(2) Specifications, standards, and data item descriptions that are not indexed in ASSIST should be included in the solicitation, if feasible, or made available at the contracting activity.

(3) Most unclassified specifications, standards, and data item descriptions may be downloaded from the ASSIST database (<http://assist.daps.dla.mil>). Documents not available for download from ASSIST may be ordered using the ASSIST Shopping Wizard (<http://assist.daps.dla.mil/wizard>) or by contacting the Department of Defense Single Stock Point (DoDSSP), Building 4, Section D, 700 Robbins Avenue, Philadelphia, PA 19111-5094; telephone (215) 697-2179. When contacting the DoDSSP, include with each request—

- (i) The requester's customer number; and
- (ii) A complete return mailing address, including any "mark for" instructions.

PGI 211.273 Substitutions for military or Federal specifications and standards.

PGI 211.273-3 Procedures.

(1) Solicitations for previously developed items shall encourage offerors to identify Single Process Initiative (SPI) processes for use instead of military or Federal specifications and standards cited in the solicitation. Use of the clause at DFARS [252.211-7005](#), Substitutions for Military or Federal Specifications and Standards, satisfies this requirement.

(2) Contracting officers shall ensure that—

(i) Concurrence of the requiring activity is obtained for any proposed substitutions prior to contract award;

(ii) Any necessary additional information regarding the SPI process identified in the proposal is obtained from the cognizant administrative contracting officer; and

(iii) In competitive procurements, prospective offerors are provided the opportunity to obtain verification that an SPI process is an acceptable replacement for a military or Federal specification or standard for the particular procurement prior to the date specified for receipt of offers.

DFARS Procedures, Guidance, and Information

PGI 211—Describing Agency Needs

(3) Any determination that an SPI process is not acceptable for a specific procurement shall be made prior to contract award at the head of the contracting activity or program executive officer level. This authority may not be delegated.

PGI 211.274 Item identification and valuation requirements.

PGI 211.274-2 Policy for unique item identification.

(b)(2)(ii) Send the copy of the determination and findings required by DFARS [211.274-2\(b\)\(2\)\(i\)](#) to DPAP/Program Development and Implementation, Deputy Director, 3060 Defense Pentagon, 3B855, Washington, DC 20301-3060; or by facsimile to (703) 695-7596.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(Revised August 29, 2012)

PGI 215.4—CONTRACT PRICING

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 cost or pricing data if a procurement exceeds the TINA threshold and none of the exceptions to cost or pricing data requirements apply. 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 cost or pricing data are not required, and the contracting officer does not have sufficient data or information to determine price reasonableness, FAR 15.402(a)(2) requires the offeror to provide whatever information or data the contracting officer needs in order to determine fair and reasonable prices.

(3) Obtaining sufficient data or information 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 information of items sold in similar quantities and, if such information is insufficient, cost data to support the proposed price.

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

PGI 215.403 Obtaining cost or pricing data.

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

(b) *Exceptions to cost or pricing data requirements.* Even if an exception to cost or pricing data applies, the contracting officer is still required to determine price reasonableness. In order to make this determination, the contracting officer may require information other than cost or pricing data, including information related to prices and cost information that would otherwise be defined as cost or pricing data if certified.

(c)(3) *Commercial items.*

(A)(1) Contracting officers must exercise care when pricing a commercial item, especially in sole source situations. The definition of a commercial item at FAR 2.101

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

requires the product or service be one—

(i) That is of a type customarily used by the general public or by non-governmental entities for other than governmental purposes; and

(ii) That—

(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.

(2) 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.

(3) 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 information other than cost or pricing data. This includes information related to prices and cost information that would otherwise be defined as cost or pricing data if certified. Obtaining sufficient data or information 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. See [PGI 215.404-1](#) for more detailed procedures for use when obtaining information and data from the offeror to determine price reasonableness.

(B)(1) *Report Content.* The annual report of commercial item exceptions to Truth in Negotiations Act (TINA) requirements shall include the following:

Title: Commercial Item Exceptions to TINA Requirements

(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.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(6) Brief description of the specific steps taken to ensure price reasonableness.

(2) *Pricing Actions Reported.* The intent of this requirement is to report when a commercial item exception was determined. Therefore, the reporting of the commercial item exceptions are for pricing actions at the point the contracting officer makes a determination that the commercial item exception applies. For example—

Example 1: The contracting officer determined that a commercial item exception applies for an entire indefinite-delivery indefinite-quantity (IDIQ) contract and expected the subsequent orders to exceed \$15 million (based on the estimated maximum amount for the IDIQ or other supportable estimate of future orders). The organization would report this in accordance with DFARS [215.403-1\(c\)\(3\)](#) for the period in which the IDIQ contract was awarded, and would include the total dollar amount of subsequent orders under the exception expected at the time of award.

Example 2: The contracting officer awards an IDIQ contract with no commercial item exceptions anticipated. The contracting officer later modifies the contract for an order that will meet commercial item exceptions, and the subsequent order(s) are expected to exceed \$15 million. Reporting (in the year the modification was issued) will include this IDIQ contract, the amount of this order, and any other expected future orders that will use the exception.

(i) For the above examples, after the contract is reported as receiving the exception with expected awards over \$15 million, there would be no further report, e.g., when a subsequent order under that contract exceeds \$15 million, because reporting for that contract was already accomplished.

(ii) When explaining price reasonableness in accordance with paragraph (c)(3)(B)(1)(6) of this subsection, if pricing was accomplished when the IDIQ contract was awarded, also explain how price reasonableness was determined. In circumstances where pricing will take place on the order at a future date, explain how pricing techniques at FAR 15.404-1 will be used, including obtaining cost information, if that is the only way to determine price reasonableness.

(4) *Waivers.*

(A) *Exceptional case TINA waiver.*

(1) In determining that an exceptional case TINA waiver is appropriate, the head of the contracting activity must exercise care to ensure that the supplies or services could not be obtained without the waiver and that the determination is clearly documented. [See DPAP March 23, 2007, policy memorandum.](#) The intent is not to relieve entities that normally perform Government contracts subject to TINA from an obligation to certify that

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

cost or pricing data are accurate, complete, and current. Instead, waivers must be used judiciously, in situations where the Government could not otherwise obtain a needed item without a waiver. A prime example would be when a particular company offers an item that is essential to DoD's mission but is not available from other sources, and the company refuses to submit cost or pricing data. In such cases, a waiver may be appropriate. However, the procuring agency should, in conjunction with the waiver, develop a strategy for procuring the item in the future that will not require such a waiver (e.g., develop a second source, develop an alternative product that satisfies the department's needs, or have DoD produce the item).

(2) Senior procurement executive coordination. An exceptional case TINA waiver that exceeds \$100 million shall be coordinated with the senior procurement executive prior to granting the waiver.

(3) Waiver for part of a proposal. The requirement for submission of cost or pricing data may be waived for part of an offeror's proposed price when it is possible to clearly identify that part of the offeror's cost proposal to which the waiver applies as separate and distinct from the balance of the proposal. In granting a partial waiver, in addition to complying with the requirements in DFARS [215.403-1\(c\)\(4\)](#), the head of the contracting activity must address why it is in the Government's best interests to grant a partial waiver, given that the offeror has no objection to certifying to the balance of its cost proposal.

(4) Waivers for unpriced supplies or services. Because there is no price, unpriced supplies or services cannot be subject to cost or pricing data certification requirements. The Government cannot agree in advance to waive certification requirements for unpriced supplies or services, and may only consider a waiver at such time as an offeror proposes a price that would otherwise be subject to certification requirements.

(B) The annual report of waiver of TINA requirements shall include the following:

Title: Waiver of TINA Requirements

(1) Contract number, including modification number, if applicable, and program name.

(2) Contractor name.

(3) Contracting activity.

(4) Total dollar amount waived.

(5) Brief description of why the item(s) could not be obtained without a

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

waiver. [See DPAP March 23, 2007, policy memorandum.](#)

(6) Brief description of the specific steps taken to ensure price reasonableness.

(7) Brief description of the demonstrated benefits of granting the waiver.

PGI 215.403-3 Requiring information other than cost or pricing data.

To the extent that cost or pricing data are not required by FAR 15.403-4 and there is no other means for the contracting officer to determine that prices are fair and reasonable, the offeror is required to submit “information other than cost or pricing data” (see definition at FAR 2.101). In accordance with FAR 15.403-3(a), the offeror must provide appropriate information on the prices at which the same or similar items have previously been sold, adequate for determining the reasonableness of the price. The following clarifies these requirements:

(1) *Information other than cost or pricing data.* When cost or pricing data are not required, the contracting officer must obtain whatever information is necessary in order to determine the reasonableness of the price. The FAR defines this as “information other than cost or pricing data.” When TINA does not apply and there is no other means of determining that prices are fair and reasonable, the contracting officer must obtain appropriate information on the prices at which the same or similar items have been sold previously, adequate for evaluating the reasonableness of the price. Sales data must be comparable to the quantities, capabilities, specifications, etc., of the product or service proposed. Sufficient steps must be taken to verify the integrity of the sales data, to include assistance from the Defense Contract Management Agency, the Defense Contract Audit Agency, and/or other agencies if required. See [PGI 215.404-1](#) for more detailed procedures for obtaining information and data from offerors to determine price reasonableness.

(2) *Previously been sold.* Contracting officers shall request offerors to provide information related to prior sales (or “offered for sale”) in support of price reasonableness determinations.

(3) *Adequacy of sales data for pricing.* The contracting officer must determine if the prior sales information is sufficient for determining that prices are fair and reasonable. If the sales information is not sufficient, additional information shall be obtained, including cost information if necessary. See [PGI 215.404-1](#) for more detailed procedures for obtaining whatever data or information is needed to determine fair and reasonable prices.

(4) *Reliance on prior prices paid by the Government.* Before relying on a prior price paid by the Government, the contracting officer must verify and document that sufficient analysis was performed to determine that the prior price was fair and reasonable.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

Sometimes, due to exigent situations, supplies or services are purchased even though an adequate price or cost analysis could not be performed. The problem is exacerbated when other contracting officers assume these prices were adequately analyzed and determined to be fair and reasonable. The contracting officer also must verify that the prices previously paid were for quantities consistent with the current solicitation. Not verifying that a previous analysis was performed, or the consistencies in quantities, has been a recurring issue on sole source commercial items reported by oversight organizations. Sole source commercial items require extra attention to verify that previous prices paid on Government contracts were sufficiently analyzed and determined to be fair and reasonable. At a minimum, a contracting officer reviewing price history shall discuss the basis of previous prices paid with the contracting organization that previously bought the item. These discussions shall be documented in the contract file.

PGI 215.404 Proposal analysis.

PGI 215.404-1 Proposal analysis techniques.

(a) *General.*

(i) The objective of proposal analysis is to ensure that the final agreed-to price is fair and reasonable. When the contracting officer needs information to determine price reasonableness and the offeror will not furnish that information, use the following sequence of steps to resolve the issue:

(A) The contracting officer should make it clear what information is required and why it is needed to determine fair and reasonable prices, and should be flexible in requesting data and information in existing formats with appropriate explanations from the offeror.

(B) If the offeror refuses to provide the data, the contracting officer should elevate the issue within the contracting activity.

(C) Contracting activity management shall, with support from the contracting officer, discuss the issue with appropriate levels of the offeror's management.

(D) If the offeror continues to refuse to provide the data, contracting activity management shall elevate the issue to the head of the contracting activity for a decision in accordance with FAR 15.403-3(a)(4).

(E) The contracting officer shall document the contract file to describe—

(1) The data requested and the contracting officer's need for that data;

(2) Why there is currently no other alternative but to procure the item from

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

this particular source; and

(3) A written plan for avoiding this situation in the future (e.g., develop a second source by...; bring the procurement in house to the Government by...).

(F) Consistent with the requirements at FAR 15.304 and 42.1502 and the DoD Guide to Collection and Use of Past Performance Information, Version 3, dated May 2003, the contracting officer shall provide input into the past performance system, noting the offeror's refusal to provide the requested information.

(ii) In some cases, supplies or services that are not subject to TINA may require a cost analysis (see paragraph (b)(iv) of this section). This will occur when a price analysis is not sufficient for determining prices to be fair and reasonable. In such cases, the contracting officer should consider the need for a Defense Contract Audit Agency audit of the cost data.

(iii) Particular attention should be paid to sole source commercial supplies or services. While the order of preference at FAR 15.402 must be followed, if the contracting officer cannot determine price reasonableness without obtaining information or cost data from the offeror, at a minimum, the contracting officer must obtain appropriate information on the prices at which the same or similar items have been sold previously (often previous sales information was the basis of the commercial item determination and must be requested during price analysis of the information or data provided by the offeror). If previous sales information is not sufficient to determine price reasonableness, the contracting officer must obtain "information other than cost or pricing data" and, if necessary, perform a cost analysis.

(b) *Price analysis.*

(i) Price analysis should generally be performed on supplies or services that are not subject to TINA. Available commercial sales, published catalogs or prices, etc., can sometimes be obtained through market research and can provide a basis for determining if the proposed prices are fair and reasonable.

(ii) In some cases, commercial sales are not available and there is no other market information for determining fair and reasonable prices. This is especially true when buying supplies or services that have been determined to be commercial, but have only been "offered for sale" or purchased on a sole source basis with no prior commercial sales upon which to rely. In such cases, the contracting officer must require the offeror to submit whatever cost information is needed to determine price reasonableness.

(iii) The following procedures shall be adhered to when executing the price analysis steps at FAR 15.404-1(b)(2):

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(A) When the contracting officer is relying on information obtained from sources other than the offeror, the contracting officer must obtain and document sufficient information to confirm that previous prices paid by the Government were based on a thorough price and/or cost analysis. For example, it would not be sufficient to use price(s) from a database paid by another contracting officer without understanding the type of analysis that was performed to determine the price(s), and without verifying that the quantities were similar for pricing purposes. This does not necessarily need to be another analysis, but there should be coordination with the other office that acknowledges an analysis was performed previously.

(B) When purchasing sole source commercial items, the contracting officer must request non-Government sales data for quantities comparable to those in the solicitation. In addition, if there have not been any non-Government sales, “information other than cost or pricing data” shall be obtained and a price or cost analysis performed as required.

(iv) When considering advice and assistance from others, the contracting officer must pay particular attention to supplies or services that are not subject to TINA because they are “of a type” customarily used by the general public or “similar to” the item being purchased. There must be a thorough analysis of—

- (A) The available price information for the similar-type item;
- (B) The changes required by the solicitation; and
- (C) The cost of modifying the base item.

(v) In some cases, the contracting officer will have to obtain “information other than cost or pricing data” from the offeror because there is not sufficient information from other sources to determine if prices are fair and reasonable. The contracting officer must use business judgment to determine the level of information needed from the offeror, but must ensure that the information is sufficient for making a reasonableness determination. For example, the offeror may have significant sales of the item in comparable quantities to non-Government entities, and that may be all the information needed, once the sales information is appropriately verified. On the other hand, there may be no non-Government sales and the contracting officer may be required to obtain cost information, and should do so. The request for additional information shall be limited to only that needed to determine prices to be fair and reasonable. For example, assume the proposal is 40 percent purchase parts, 30 percent labor, and the balance indirect rates. Also assume that the Defense Contract Management Agency (DCMA) has a forward pricing rate agreement with the offeror. It may be sufficient to limit requests to historical purchase records and/or vendor quotes and the proposed labor hours. Based on this information and the forward pricing rates from DCMA, the contracting officer may be able to determine price reasonableness.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(c) *Cost analysis.*

(i) When the contracting officer cannot obtain sufficient information to perform a price analysis in accordance with the pricing steps in FAR 15.404-1(b), a cost analysis is required.

(ii) When a solicitation is not subject to TINA and a cost analysis is required, the contracting officer must clearly communicate to the offeror the cost information that will be needed to determine if the proposed price is fair and reasonable.

(iii) To the extent possible, when cost or pricing data are not required to be submitted in accordance with Table 15-2 of FAR 15.408, the contracting officer should accept the cost data in a format consistent with the offeror's records.

(iv) The contracting officer must always consider the need for field pricing support from the Defense Contract Management Agency, the Defense Contract Audit Agency, and/or other agencies.

(e) *Technical analysis.*

Requesting technical assistance is particularly important when evaluating pricing related to items that are "similar to" items being purchased or commercial items that are "of a type" or require "minor modifications." Technical analysis can assist in pricing these types of items by identifying any differences between the item being acquired and the "similar to" item. In particular, the technical review can assist in evaluating the changes that are required to get from the "similar to" item, to the item being solicited, so the contracting officer can determine sufficient price/cost analysis techniques when evaluating that the price for the item being solicited is fair and reasonable.

PGI 215.404-2 Information to support proposal analysis.

(a) *Field pricing assistance.*

(i) The contracting officer should consider requesting field pricing assistance (See [PGI 215.404-2\(c\)](#) for when audit assistance should be requested) for—

(A) Fixed-price proposals exceeding the cost or pricing data threshold;

(B) Cost-type proposals exceeding the cost or pricing data threshold from offerors with significant estimating system deficiencies (see DFARS [215.407-5-70\(a\)\(4\)](#) and (c)(2)(i)); or

(C) Cost-type proposals exceeding \$10 million from offerors without significant estimating system deficiencies.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(ii) The contracting officer should not request field pricing support for proposed contracts or modifications in an amount less than that specified in paragraph (a)(i) of this subsection. An exception may be made when a reasonable pricing result cannot be established because of—

(A) A lack of knowledge of the particular offeror; or

(B) Sensitive conditions (e.g., a change in, or unusual problems with, an offeror's internal systems).

(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.

(ii) The contracting officer should not request DCAA audit assistance for proposed contracts or modifications in an amount less than that specified in paragraph (c)(i) of this subsection unless there are exceptional circumstances explained in the request for audit. (See [PGI 215.404-2\(a\)\(i\)](#) for requesting field pricing assistance without a DCAA audit.)

(iii) If, in the opinion of the contracting officer or auditor, the review of a prime contractor's proposal requires further review of subcontractors' cost estimates at the subcontractors' plants (after due consideration of reviews performed by the prime contractor), the contracting officer should inform the administrative contracting officer (ACO) having cognizance of the prime contractor before the review is initiated.

(iv) Notify the appropriate contract administration activities when extensive, special, or expedited field pricing assistance will be needed to review and evaluate subcontractors' proposals under a major weapon system acquisition. If audit reports are received on contracting actions that are subsequently cancelled, notify the cognizant auditor in writing.

(v) Requests for audit assistance for subcontracts should use the same criteria as established in paragraphs (c)(i) and (c)(ii) of this subsection.

PGI 215.404-3 Subcontract pricing considerations.

(a) The contracting officer should consider the need for field pricing analysis and evaluation of lower-tier subcontractor proposals, and assistance to prime contractors when they are being denied access to lower-tier subcontractor records.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(i) When obtaining field pricing assistance on a prime contractor's proposal, the contracting officer should request audit or field pricing assistance to analyze and evaluate the proposal of a subcontractor at any tier (notwithstanding availability of data or analyses performed by the prime contractor) if the contracting officer believes that such assistance is necessary to ensure the reasonableness of the total proposed price. Such assistance may be appropriate when, for example—

(A) There is a business relationship between the contractor and the subcontractor not conducive to independence and objectivity;

(B) The contractor is a sole source supplier and the subcontract costs represent a substantial part of the contract cost;

(C) The contractor has been denied access to the subcontractor's records;

(D) The contracting officer determines that, because of factors such as the size of the proposed subcontract price, audit or field pricing assistance for a subcontract at any tier is critical to a fully detailed analysis of the prime contractor's proposal;

(E) The contractor or higher-tier subcontractor has been cited for having significant estimating system deficiencies in the area of subcontract pricing, especially the failure to perform adequate cost analyses of proposed subcontract costs or to perform subcontract analyses prior to negotiation of the prime contract with the Government; or

(F) A lower-tier subcontractor has been cited as having significant estimating system deficiencies.

(ii) It may be appropriate for the contracting officer or the ACO to provide assistance to a contractor or subcontractor at any tier, when the contractor or higher-tier subcontractor has been denied access to a subcontractor's records in carrying out the responsibilities at FAR 15.404-3 to conduct price or cost analysis to determine the reasonableness of proposed subcontract prices. Under these circumstances, the contracting officer or the ACO should consider whether providing audit or field pricing assistance will serve a valid Government interest.

(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.

(iv) Price redeterminable or fixed-price incentive contracts may include

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

subcontracts placed on the same basis. When the contracting officer wants to reprice the prime contract even though the contractor has not yet established final prices for the subcontracts, the contracting officer may negotiate a firm contract price—

(A) If cost or pricing data on the subcontracts show the amounts to be reasonable and realistic; or

(B) If cost or pricing data on the subcontracts are too indefinite to determine whether the amounts are reasonable and realistic, but—

(1) Circumstances require prompt negotiation; and

(2) A statement substantially as follows is included in the repricing modification of the prime contract:

As soon as the Contractor establishes firm prices for each subcontract listed below, the Contractor shall submit (in the format and with the level of detail specified by the Contracting Officer) to the Contracting Officer the subcontractor's cost incurred in performing the subcontract and the final subcontract price. The Contractor and the Contracting Officer shall negotiate an equitable adjustment in the total amount paid or to be paid under this contract to reflect the final subcontract price.

(v) If the selection of the subcontractor is based on a trade-off among cost or price and other non-cost factors rather than lowest price, the analysis supporting subcontractor selection should include a discussion of the factors considered in the selection (also see FAR 15.101 and 15.304 and DFARS [215.304](#)). If the contractor's analysis is not adequate, return it for correction of deficiencies.

(vi) The contracting officer shall make every effort to ensure that fees negotiated by contractors for cost-plus-fixed-fee subcontracts do not exceed the fee limitations in FAR 15.404-4(c)(4).

PGI 215.404-70 DD Form 1547, Record of Weighted Guidelines Method Application.

(1) The DD Form 1547—

(i) Provides a vehicle for performing the analysis necessary to develop a profit objective;

(ii) Provides a format for summarizing profit amounts subsequently negotiated as part of the contract price; and

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(iii) Serves as the principal source document for reporting profit statistics to DoD's management information system.

(2) The military departments are responsible for establishing policies and procedures for feeding the DoD-wide management information system on profit and fee statistics (see [PGI 215.404-76](#)).

(3) The contracting officer shall—

(i) Use and prepare a DD Form 1547 whenever a structured approach to profit analysis is required by DFARS [215.404-4](#)(b) (see DFARS [215.404-71](#), [215.404-72](#), and [215.404-73](#) for guidance on using the structured approaches). Administrative instructions for completing the form are in [PGI 253.215-70](#).

(ii) Ensure that the DD Form 1547 is accurately completed. The contracting officer is responsible for the correction of any errors detected by the management system auditing process.

PGI 215.404-71 Weighted guidelines method.

PGI 215.404-71-4 Facilities capital employed.

(c) *Use of DD Form 1861 - Field pricing support.*

(i) The contracting officer may ask the ACO to complete the forms as part of field pricing support.

(ii) When the Weighted Guidelines Method is used, completion of the DD Form 1861 requires information not included on the Form CASB-CMF, i.e., distribution percentages of land, building, and equipment for the business unit performing the contract. Choose the most practical method for obtaining this information, for example—

(A) Contract administration offices could obtain the information through the process used to establish factors for facilities capital cost of money or could establish advance agreements on distribution percentages for inclusion in field pricing reports;

(B) The corporate ACO could obtain distribution percentages; or

(C) The contracting officer could request the information through a solicitation provision.

PGI 215.404-76 Reporting profit and fee statistics.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(1) Contracting officers in contracting offices that participate in the management information system for profit and fee statistics must send completed DD Forms 1547 on actions that exceed the cost or pricing data threshold, where the contracting officer used the weighted guidelines method, an alternate structured approach, or the modified weighted guidelines method, to their designated office within 30 days after contract award.

(2) Participating contracting offices and their designated offices are—

<u>Contracting Office</u>	<u>Designated Office</u>
ARMY	
All	*
NAVY	
All	Commander Fleet and Industrial Supply Center, Norfolk Washington Detachment, Code 402 Washington Navy Yard Washington, DC 20374-5000
AIR FORCE	
Air Force Materiel Command (all field offices)	*

* Use the automated system, Profit Weighted Guidelines and Application at <https://www.wgl.wpafb.af.mil/wgl>, as required by your department.

(3) When the contracting officer delegates negotiation of a contract action that exceeds the cost or pricing data threshold to another agency (e.g., to an ACO), that agency must ensure that a copy of the DD Form 1547 is provided to the delegating office for reporting purposes within 30 days after negotiation of the contract action.

(4) Contracting offices outside the United States and its outlying areas are exempt from reporting.

(5) Designated offices send a quarterly (non-cumulative) report of DD Form 1547 data to—

Director, Defense Procurement and Acquisition Policy
ATTN: OUSD(AT&L)DPAP/CPIC
3060 Defense Pentagon
Washington, DC 20301-3060

Or via email to: CPIC@osd.mil

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(6) In preparing and sending the quarterly report, designated offices—

(i) Perform the necessary audits to ensure information accuracy;

(ii) Do not enter classified information;

(iii) Transmit the report using approved electronic means; and

(iv) Send the reports not later than the 30th day after the close of the quarterly reporting periods.

(7) These reporting requirements have been assigned Report Control Symbol DD-AT&L(Q)1751.

PGI 215.406-1 Prenegotiation objectives.

(a) Also consider—

(i) Data resulting from application of work measurement systems in developing prenegotiation objectives; and

(ii) Field pricing assistance personnel participation in planned prenegotiation and negotiation activities.

(b) Prenegotiation objectives, including objectives related to disposition of findings and recommendations contained in preaward and postaward contract audit and other advisory reports, shall be documented and reviewed in accordance with departmental procedures.

(i) *Significant Disagreements.* (A) Contracting officers and contract auditors have complementary roles in the contracting process and are expected to collaborate to determine fair and reasonable contract values, in accordance with [Director, Defense Procurement and Acquisition Policy memorandum dated December 4, 2009, Subject: Resolving Contract Audit Recommendations](#). When a significant disagreement arises on questioned costs, the contracting officer and the auditor shall discuss the basis of the disagreement. The contracting officer shall document that discussion and their disagreement in a written communication to the auditor. The contracting officer shall also document the disagreement in the prenegotiation objective (or pre-business clearance). The contracting officer may then proceed with negotiations when the prenegotiation objectives are approved.

(B) A significant disagreement is defined as the contracting officer planning to sustain less than 75-percent of the total recommended questioned costs in a Defense Contract Audit Agency (DCAA) audit report of a contractor proposal for an initial contract or

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

a contract modification with a value equal to or greater than \$10 million. It does not apply to costs that DCAA has categorized as unsupported or unresolved in its audit report.

(ii) *Adjudication Procedures.* DCAA has three days to elevate the issues within the contracting officer's activity after receipt of the contracting officers' written communication confirming the disagreement. Furthermore, DCAA may appeal the significant issues up the chain of command as established in each Component's "Resolving Contract Audit Recommendations" policy. If issues remain, the Director, DCAA may escalate from the Defense Component's Head of Contracting Activity or Senior Procurement Executive, to the Director, Defense Procurement and Acquisition Policy (DPAP). If the DCAA Director believes that the Director, DPAP has not adequately addressed the matter, the disagreement may finally be elevated to the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the Comptroller.

(iii) Notwithstanding the above, the Director, DCAA, may always raise audit issues to the Director, DPAP.

(c) *Cost estimates for program baselines and contract negotiations for Major Defense Acquisition and Major Automated Information System Programs.*

(i) For the purpose of contract negotiations and obligation of funds under this paragraph, the Government shall prepare cost analyses and targets based on the Government's reasonable expectation of successful contractor performance in accordance with the contractor's proposal and previous experience.

(ii) Cost estimates developed for baseline descriptions and other program purposes by the Director of Cost Assessment and Program Evaluation pursuant to its functions, do not meet the criteria described in paragraph (c)(i) of this subsection and, thus, shall not be used for purposes of developing the Government's contract negotiation position or for the obligation of funds. However, the Government may consider the data and information used to develop such estimates when developing the cost analyses and targets described in paragraph (c)(i) of this subsection.

PGI 215.406-3 Documenting the negotiation.

(a)(7) Include the principal factors related to the disposition of findings and recommendations contained in preaward and postaward contract audit and other advisory reports.

(10) The documentation—

(A) Must address significant deviations from the prenegotiation profit objective;

(B) Should include the DD Form 1547, Record of Weighted Guidelines

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

Application (see DFARS [215.404-70](#)), if used, with supporting rationale; and

(C) Must address the rationale for not using the weighted guidelines method when its use would otherwise be required by DFARS [215.404-70](#).

PGI 215.407-2 Make-or-buy programs.

(d) *Solicitation Requirements.* Consider the following factors when deciding whether to request a make-or-buy plan—

- (1) The prime contractor's assumption of risk;
- (2) The prime contractor's plant capacity;
- (3) The prime contractor's degree of vertical integration;
- (4) The prime contractor's internal resources;
- (5) The anticipated contract type;
- (6) The complexity, uniqueness, or configuration maturity associated with the end item or its subsystems;
- (7) Critical path items;
- (8) The impact on contract overhead rates with respect to maintaining work in-house;
- (9) The industrial base that could potentially satisfy some system requirements, based on market survey;
- (10) Proprietary data and/or trade secrets;
- (11) Potential product quality concerns associated with items that would be subject to subcontracting;
- (12) Integrated master schedule timelines and their tolerances for variation;
- (13) The availability and experience of program office personnel to credibly analyze and evaluate a submission; and
- (14) Socioeconomic considerations, e.g. small business or labor surplus area concerns.

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

(f) *Evaluation, negotiation, and Agreement.* When a make-or-buy plan is required, listed below are factors that may be considered when evaluating a submission—

(1) Prime contractor past performance, especially with respect to subcontract management;

(2) Prime contractor make-or-buy history;

(3) Adequacy of contractor's existing make-or-buy processes, including cost and technical risk considerations;

(4) Component availability through existing sources, e.g. available inventory, or other Government contracts;

(5) Prime contractor plant capacity;

(6) The adequacy of the prime contractor's technical, financial and personnel capabilities; and

(7) Prime contractor justification that is provided with respect to items it does not normally make.

PGI 215.407-4 Should-cost review.

(b) *Program should-cost review.*

(2) DoD contracting activities should consider performing a program should-cost review before award of a definitive contract for a major system as defined by DoDI 5000.2. See DoDI 5000.2 regarding industry participation.

(c) *Overhead should-cost review.*

(1) Contact the Defense Contract Management Agency (DCMA) (<http://www.dcm.mil/>) for questions on overhead should-cost analysis.

(2)(A) DCMA or the military department responsible for performing contract administration functions (e.g., Navy SUPSHIP) should consider, based on risk assessment, performing an overhead should-cost review of a contractor business unit (as defined in FAR 2.101) when all of the following conditions exist:

(1) Projected annual sales to DoD exceed \$1 billion;

(2) Projected DoD versus total business exceeds 30 percent;

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

- (3) Level of sole-source DoD contracts is high;
- (4) Significant volume of proposal activity is anticipated;
- (5) Production or development of a major weapon system or program is anticipated; and
- (6) Contractor cost control/reduction initiatives appear inadequate.

(B) The head of the contracting activity may request an overhead should-cost review for a business unit that does not meet the criteria in paragraph (c)(2)(A) of this subsection.

(C) Overhead should-cost reviews are labor intensive. These reviews generally involve participation by the contracting, contract administration, and contract audit elements. The extent of availability of military department, contract administration, and contract audit resources to support DCMA-led teams should be considered when determining whether a review will be conducted. Overhead should-cost reviews generally should not be conducted at a contractor business segment more frequently than every 3 years.

PGI 215.407-5 Estimating systems.

PGI 215.407-5-70 Disclosure, maintenance, and review requirements.

(e) *Disposition of findings.*

(2) *Initial determination.*

(ii)(A) Within 10 days of receiving the report, if the contracting officer makes a determination that there is a significant deficiency, the contracting officer should provide an initial determination of deficiencies and a copy of the report to the contractor and require the contractor to submit a written response.

(C) *Evaluation of contractor's response.* Within 30 days of receiving the contractor's response, the contracting officer, in consultation with the auditor or cognizant functional specialist, should evaluate the contractor's response and make a final determination.

(3) *Final Determination.*

(ii)(A) *Monitoring contractor's corrective action.* The auditor and the contracting officer shall monitor the contractor's progress in correcting deficiencies. If the contractor fails to make adequate progress, the contracting officer shall take whatever action is necessary to ensure that the contractor corrects the deficiencies. Examples of actions the

DFARS Procedures, Guidance, and Information

PGI 215—Contracting by Negotiation

contracting officer can take are: bringing the issue to the attention of higher level management, reducing or suspending progress payments (see FAR 32.503-6), implementing or increasing the withholding in accordance with [252.242-7005](#), Contractor Business Systems, if applicable, and recommending non-award of potential contracts.

(B) *Correction of significant deficiencies.*

(1) When the contractor notifies the contracting officer, in writing, that the contractor has corrected the significant deficiencies, the contracting officer shall request that the auditor review the correction to determine if the deficiencies have been resolved.

(2) The contracting officer shall determine if the contractor has corrected the deficiencies.

(3) If the contracting officer determines the contractor has corrected the deficiencies, the contracting officer's notification shall be sent to the auditor; payment office; appropriate action officers responsible for reporting past performance at the requiring activities; and each contracting and contract administration office having substantial business with the contractor, as applicable.

PGI 215.470 Estimated data prices.

(b)(i) The form and the provision included in the solicitation request the offeror to state what portion of the total price is estimated to be attributable to the production or development of the listed data for the Government (not to the sale of rights in the data). However, offerors' estimated prices may not reflect all such costs; and different offerors may reflect these costs in a different manner, for the following reasons—

- (A) Differences in business practices in competitive situations;
- (B) Differences in accounting systems among offerors;
- (C) Use of factors or rates on some portions of the data;
- (D) Application of common effort to two or more data items; and
- (E) Differences in data preparation methods among offerors.

(ii) Data price estimates should not be used for contract pricing purposes without further analysis.

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

(Revised August 29, 2012)

PGI 216.4—INCENTIVE CONTRACTS

PGI 216.401 General.

(c) Incentive contracts. DoD has established the Award and Incentive Fees Community of Practice (CoP) under the leadership of the Defense Acquisition University (DAU). The CoP serves as the repository for all related materials including policy information, related training courses, examples of good award fee arrangements, and other supporting resources. The CoP is available on the DAU Acquisition Community Connection at <https://acc.dau.mil/awardandincentivefees>. Additional information can be found on the MAX website maintained by the Office of Management and Budget at: <https://max.omb.gov>.

(e) Award-fee contracts.

(i) It is DoD policy to utilize objective criteria, whenever possible, to measure contract performance. In cases where an award-fee contract must be used due to lack of objective criteria, the contracting officer shall consult with the program manager and the fee determining official when developing the award-fee plan. Award-fee criteria shall be linked directly to contract cost, schedule, and performance outcomes objectives.

(ii) Award fees must be tied to identifiable interim outcomes, discrete events or milestones, as much as possible. Examples of such interim milestones include timely completion of preliminary design review, critical design review, and successful system demonstration. In situations where there may be no identifiable milestone for a year or more, consideration should be given to apportioning some of the award fee pool for a predetermined interim period of time based on assessing progress toward milestones. In any case, award fee provisions must clearly explain how a contractor's performance will be evaluated.

(iii) FAR 16.401(d) requires a determination and findings (D&F) to be completed for all incentive- and award-fee contracts, justifying that the use of this type of contract is in the best interest of the Government. The D&F for award-fee contracts shall be signed by the head of the contracting activity or designee no lower than one level below the head of the contracting activity. The D&F required by FAR 16.401(d) for all other incentive contracts may be signed at one level above the contracting officer. This authority may not be further delegated.

(iv) The head of the contracting activity for each defense agency shall retain the D&F for (a) all acquisition category (ACAT) I or II programs, and (b) all non-ACAT I or II contracts with an estimated value of \$50 million or more. The head of the contracting activity shall forward the D&Fs for ACAT I programs to Defense Procurement and Acquisition Policy/ Cost, Pricing, and Finance directorate (DPAP/CPF) within 30 days of the end of the quarter. Copies of D&Fs on all contracts shall also be included in the contract file.

PGI 216.401-70 Data collection.

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

(a) In order to comply with the statutory requirement of section 814 of Pub. L. 109-364, each military department and defense agency shall collect the information required through the spreadsheet accessible [here](#) for each contract containing award or performance incentive provisions that have an estimated contract value (including options) greater than \$50 million at the end of the reporting period. The semi-annual periods for collecting this data are the six month periods ending June 30 and December 31 of each year. The data collected shall be provided to DPAP/CPIC within 90 days after the end of the semi-annual reporting period (e.g., data must be provided to DPAP by September 30 for the semi-annual period ending June 30) along with a report of the component's analysis of the data.

(b) Indefinite-delivery/ indefinite-quantity (ID/IQ) contracts with an incentive structure at the contract level are considered reportable at the contract level. ID/IQ contracts with incentives structured at the order level with an estimated order value exceeding the \$50 million threshold are reportable at the order level. In this latter situation, the contracting office issuing the order is responsible for reporting.

PGI 216.402 Application of predetermined, formula-type incentives.

PGI 216.402-2 Technical performance incentives.

Contractor performance incentives should relate to specific performance areas of milestones, such as delivery or test schedules, quality controls, maintenance requirements, and reliability standards.

PGI 216.403 Fixed-price incentive contracts.

PGI 216.403-1 Fixed-price incentive (firm target) contracts.

(1) *Use of FPIF contract.* (i) *Not mandatory.* DFARS [216.403-1](#)(b)(1) directs the contracting officer to give particular consideration to the use of fixed-price incentive (firm target) (FPIF) contracts, especially for acquisitions moving from development to production. DFARS does not mandate the use of FPIF for initial production and each acquisition situation must be evaluated in terms of the degree and nature of the risk presented in order to select the proper contract type.

(ii) *Considerations.* Volume 4, chapter 1, of the Contract Pricing Reference Guide provides a detailed discussion of the considerations involved in selecting the proper contract type. For example:

(A) It is not in the Government's best interest to use FPIF when the cost risk is so great that establishing a ceiling price is unrealistic.

(B) It is also not in the Government's best interest to use firm-fixed-price (FFP) contracts on production programs until costs have become stable. Therefore, FPIF contracts should be considered in production programs where actual costs on prior FFP

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

contracts have varied by more than seven percent from the costs considered negotiated. Contracting officers are reminded that actual costs on prior contracts for the same item, regardless of contract type or data reporting requirements of the prior contract, are cost and pricing data on the pending contract, and should be obtained from the contractor on production programs when cost or pricing data are required.

(2) *Incentive arrangement.* DFARS [216.403-1](#)(b)(2) directs the contracting officer to pay particular attention to share lines and ceiling prices for fixed-price incentive (firm target) contracts, with 120 percent ceiling and a 50/50 share ratio as the point of departure for establishing the incentive arrangement. While DFARS does not mandate the use of these share ratios or ceiling percentage, it is not unreasonable to expect that upon entering into production, risks have been mitigated to the point that the DFARS recommended point of departure for an FPIF incentive arrangement would be normal.

(3) *Analyzing risk.*

(i) *Quantification of risk.*

(A) The first step is establishing a target cost for which the probability of an underrun and overrun are considered equal and therefore, the risks and rewards are shared equally, hence the 50/50 share is the point of departure. Equally important is determining that the contractor has a high probability of being able to accomplish the effort within a ceiling percentage of 120 percent. In accomplishing both these steps, the analysis of risk is essential.

(B) Too often, risk is evaluated only in general terms without attempting to quantify the risk posed by the various elements of cost. Also, a contracting officer may incorrectly fall back on the share ratios and ceiling percentages negotiated on prior contracts or other programs, without examining the specific risks.

(C) Whether being used to select the proper contract type or establishing share lines and ceiling price on an FPIF contract, the analysis of risk as it pertains to the prime contractor is key. From a contractor's perspective, all risks, including technical and schedule risk, have financial ramifications. Technical and schedule risks, if realized, generally translate into increased effort, which means increased cost. Therefore, all risk can be translated into cost risk and quantified. Risk always has two components that must be considered in the quantification: the magnitude of the impact and the probability that it will occur.

(D) When cost risk is quantified, it is much easier to establish a reasonable ceiling percentage. The ceiling percentage is applicable to the target cost on the prime contract. It is important to understand the degree of risk that various cost elements pose in

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

relation to that target cost. A discussion of the major cost elements and the risk implications follows in paragraphs (3)(ii) through (iv) of this section.

(ii) *Subcontracts and material cost and risk.*

(A) In many prime contractors' contracts, a substantial amount of risk is borne by subcontractors, not the prime contractor, via negotiated firm-fixed-price (FFP) subcontracts. In the case of FFP subcontracts, the subcontractor is obligated to deliver at the negotiated price. The risk to the prime contractor is the supplier's failure to perform or perform on time. Generally, that risk is considered to be low by both the prime and the subcontractor as evidenced by the FFP contract type. In addition, the prime contractor will normally have priced effort for material management or subcontract administration to ensure timely performance on the part of the suppliers. This effort may be bid directly or indirectly (e.g., as part of an overhead expense) depending on the contractor's accounting practices.

(B) The impact of negotiated FFP subcontracts on the prime contractor's risk can be significant. A prime contract with a 120 percent ceiling price provides overrun protection to the prime contractor equal to 20 percent of the target cost on the contract. However, if FFP subcontracts represent half of the total contract cost, then half of the target cost is subject to little or no cost risk on the part of the prime contractor. Therefore, the overrun protection provided by 20 percent of the target cost is really closer to 40 percent protection of the prime's cost that is truly at risk to the prime contractor, which likely is significantly overstated. Thus, a ceiling price less than 120 percent in this risk situation would be more appropriate.

(C) For subcontracts that have not yet been negotiated between the prime and subcontractor at the time of negotiation of the prime contract, the degree of risk is essentially limited to the difference between the price proposed by the subcontractor and the subcontract value included in the prime contractor's proposal.

(D) For subcontracts that are not FFP, the risk to the prime is based on the risk represented by the subcontractors' contractual relationship with the prime. If the subcontract is FPIF and has a 50/50 share ratio and 120 percent ceiling, the prime's risk is 50 percent of each dollar of overrun up to the ceiling amount. An analysis of the subcontractor's risk would be necessary to determine the probability of reaching the ceiling price.

(iii) *Direct labor cost and risk.*

(A) The risk in direct labor is in the hours needed to perform the effort and the risk in the labor rates paid to employees. There is generally little risk in the direct labor rates. However, there are various levels of risk in the direct labor hours needed by the

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

prime contractor to accomplish the contract requirements. This risk can be driven by a number of factors including technical complexity, schedule constraints, or availability of personnel, parts, or tooling. Risks vary by task and the key is to identify the major tasks and assess the “what if” impact at the total contract cost level.

(B) Schedule is often correctly cited as a risk factor, but it is important to understand and quantify the probability and impact of a potential schedule slip. Generally, any schedule slip can only affect the prime contractor’s in-house cost. Therefore, any schedule impact should be assessed on the impact it would have on the prime contractor’s performance of its tasks.

(C) However, it is wrong to assume the worst-case scenario that a schedule delay results in an extension of the entire prime contractor workforce for the period of the delay. A responsible contractor will take steps to minimize both the delay and the impact of that delay. For instance, a production schedule assumes an optimal sequencing of tasks which presumes the timely arrival and availability of parts from suppliers or other in-house sources. A delay in receiving parts as planned could require a resequencing of tasks and could adversely affect the efficiency of performing a number of tasks, but it will not cause the entire workforce to be idle during the delay.

(iv) *Indirect (e.g., overhead) cost and risk.* Overhead and other indirect costs (e.g., general and administrative expense) can represent a significant portion of the prime contractor’s in-house cost. Indirect expense (hereafter referred to as overhead) poses potential cost growth risk or the opportunity for cost reduction from the following two perspectives:

(A) *Actual overhead rate.* (1) First, the actual overhead rate could be different than that proposed. Proposed overhead rates, even those covered by a forward pricing rate agreement, are based on forecasts of overhead expenses and the bases to which they are applied. The final overhead rate that is actually applied (charged) to a contract will be based on the actual overhead expenses and the actual base, each of which could be considerably different than estimated. The net effect could be a higher or lower overhead rate than estimated.

(2) In general, the risk in an overhead rate tends to be driven more by fluctuations in the base than in the expenses. This is because overhead expenses are made up of expenses that consist of “fixed” (e.g., depreciation) and variable (e.g., fringe benefits) in nature. When the actual base turns out to be lower than the estimated base, the fixed costs are spread over a smaller base resulting in a higher overhead rate. In general, if the actual base is greater than estimated, a lower overhead rate will result.

(3) In assessing this risk, the contracting officer should consider the contractor’s ability to predict overhead rates based on comparing proposed versus actual

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

rates for prior years. In making this comparison, it is important to do so in a manner consistent with the proposal being reviewed. For instance, if the majority of overhead costs on the proposal being reviewed occur two years in the future, the comparison should look at the contractor's accuracy in predicting overhead rates two years in advance. For example, in looking at the 2009 actual overhead rate, what did the contractor propose for 2009 in its 2007 forward pricing rate proposal?

(B) *Actual base cost.* If the actual base cost on the contract (e.g., direct labor dollars) is different than that proposed, the contract will be charged overhead costs according to the actual base costs on that contract. If the contractor overruns direct labor, even if the actual labor overhead rate was the same as proposed, that rate would be applied to a higher base resulting in increased overhead dollars on that contract. The opposite would be true if the contractor underruns direct labor on the contract. Since this aspect of risk is tied to the base cost on the contract, the risk is the same as it is for those base costs (e.g., direct labor, material).

PGI 216.403-2 Fixed-price incentive (successive targets) contracts.

The formula specified in FAR 16.403-2(a)(1)(iii) does not apply for the life of the contract. It is used to fix the firm target profit for the contract. To provide an incentive consistent with the circumstances, the formula should reflect the relative risk involved in establishing an incentive arrangement where cost and pricing information were not sufficient to permit the negotiation of firm targets at the outset.

PGI 216.405 Cost-reimbursement incentive contracts.

PGI 216.405-1 Cost-plus-incentive-fee contracts.

Give appropriate weight to basic acquisition objectives in negotiating the range of fee and the fee adjustment formula. For example—

(1) In an initial product development contract, it may be appropriate to provide for relatively small adjustments in fee tied to the cost incentive feature, but provide for significant adjustments if the contractor meets or surpasses performance targets; and

(2) In subsequent development and test contracts, it may be appropriate to negotiate an incentive formula tied primarily to the contractor's success in controlling costs.

PGI 216.405-2 Cost-plus-award-fee contracts.

(1) Although weighted guidelines do not apply per DFARS [216.405-2\(3\)\(ii\)](#) when definitizing a contract action, the contracting officer shall, nevertheless, separately assess and document the reduced cost risk on the contract for—

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

- (i) The period up to the date of definitization; as well as
 - (ii) The remaining period of performance (see DFARS [217.7404-6](#)).
- (2) Normally, award fee is not earned when the fee-determining official has determined that contractor performance has been submarginal or unsatisfactory.
- (3) The basis for all award fee determinations shall be documented in the contract file.
- (4) The cost-plus-award-fee contract is also suitable for level of effort contracts where mission feasibility is established but measurement of achievement must be by subjective evaluation rather than objective measurement. See Table 16-1, Performance Evaluation Criteria, for sample performance evaluation criteria and Table 16-2, Contractor Performance Evaluation Report, for a sample evaluation report.
- (5) The contracting activity may—
- (i) Establish a board to—
 - (A) Evaluate the contractor's performance; and
 - (B) Determine the amount of the award or recommend an amount to the contracting officer; and
 - (ii) Afford the contractor an opportunity to present information on its own behalf.

PGI 216.470 Other applications of award fees.

The “award amount” portion of the fee may be used in other types of contracts under the following conditions:

- (1) The Government wishes to motivate and reward a contractor for—
 - (i) Purchase of capital assets (including machine tools) manufactured in the United States, on major defense acquisition programs; or
 - (ii) Management performance in areas which cannot be measured objectively and where normal incentive provisions cannot be used. For example, logistics support, quality, timeliness, ingenuity, and cost effectiveness are areas under the control of management which may be susceptible only to subjective measurement and evaluation.
- (2) The “base fee” (fixed amount portion) is not used.
- (3) The chief of the contracting office approves the use of the “award amount.”

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

(4) An award review board and procedures are established for conduct of the evaluation.

(5) The administrative costs of evaluation do not exceed the expected benefits.

TABLE 16-1, PERFORMANCE EVALUATION CRITERIA						
		Submarginal	Marginal	Good	Very Good	Excellent
A Time of Delivery.	(A-1) Adherence to plan schedule.	Consistently late on 20% plans	Late on 10% plans w/o prior agreement	Occasional plan late w/o justification.	Meets plan schedule.	Delivers all plans on schedule & meets prod. Change requirements on schedule
	(A-2) Action on Anticipated delays.	Does not expose changes or resolve them as soon as recognized.	Exposes changes but is dilatory in resolution on plans.	Anticipates changes, advise Shipyard but misses completion of design plans 10%.	Keeps Yard posted on delays, resolves independently on plans.	Anticipates in good time, advises Shipyard, resolves independently and meets production requirements.
	(A-3) Plan Maintenance.	Does not complete interrelated systems studies concurrently.	System studies completed but constr. Plan changes delayed.	Major work plans coordinated in time to meet production schedules.	Design changes from studies and interrelated plant issued in time to meet product schedules.	Design changes, studies resolved and test data issued ahead of production requirements.
B Quality of Work.	(B-1) Work Appearance.	25% dwgs. Not compatible with Shipyard repro. processes and use.	20% not compatible with Shipyard repro. processes and use.	10% not compatible with Shipyard repro. processes and use.	0% dwgs prepared by Des. Agent not compatible with Shipyard repro. processes and use.	0% dwgs. Presented incl. Des. Agent, vendors, subcontr. Not compatible with Shipyard repro processes and use.
	(B-2) Thoroughness and Accuracy of Work.	Is brief on plans tending to leave questionable situations for Shipyard to resolve.	Has followed guidance, type and standard dwgs.	Has followed guidance, type and standard dwgs. Questioning and resolving doubtful areas.	Work complete with notes and thorough explanations for anticipated questionable areas.	Work of highest caliber incorporating all pertinent data required including related activities.
	(B-3)	Tendency to	Adequate engrg.	Engineered to	Displays	Exceptional

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

	Engineering Competence.	follow past practice with no variation to meet reqmts. job in hand.	To use & adapt existing designs to suit job on hand for routine work.	satisfy specs., guidance plans and material provided.	excellent knowledge of constr. Reqmts. considering systems aspect, cost, shop capabilities and procurement problems.	knowledge of Naval shipwork & adaptability to work process incorporating knowledge of future planning in Design.
B Quality of Work (Cont'd)	(B-4) Liaison Effectiveness	Indifferent to requirements of associated activities, related systems, and Shipyard advice.	Satisfactory but dependent on Shipyard of force resolution of problems without constructive recommendations to subcontr. or vendors.	Maintains normal contract with associated activities depending on Shipyard for problems requiring military resolution.	Maintains independent contact with all associated activities, keeping them informed to produce compatible design with little assistance for Yard.	Maintains expert contact, keeping Yard informed, obtaining info from equip, supplies w/o prompting of Shipyard.
	(B-5)	Constant surveillance required to keep job from slipping—assign to low priority to satisfy needs.	Requires occasional prodding to stay on schedule & expects Shipyard resolution of most problems.	Normal interest and desire to provide workable plans with average assistance & direction by Shipyard.	Complete & accurate job. Free of incompatibilities with little or no direction by Shipyard.	Develops complete and accurate plans, seeks out problem areas and resolves with assoc. act. ahead of schedule.
C Effectiveness in Controlling and/or Reducing Costs	(C-1) Utilization of Personnel	Planning of work left to designers on drafting boards.	Supervision sets & reviews goals for designers.	System planning by supervisory, personnel, studies checked by engineers.	Design parameters established by system engineers & held in design plans.	Mods. to design plans limited to less than 5% as result lack engrg. System correlation.
	(C-2) Control Direct Charges (Except Labor)	Expenditures not controlled for services.	Expenditures reviewed occasionally by supervision.	Direct charges set & accounted for on each work package.	Provides services as part of normal design function w/o extra charges.	No cost overruns on original estimates absorbs service demands by Shipyard.
	(C-3) Performance to Cost Estimate	Does not meet cost estimate for original work or changes 30% time.	Does not meet cost estimate for original work or changes 20% time.	Exceeds original est. on change orders 10% time and meets original design	Exceeds original est. on changing orders 5% time.	Never exceeds estimates of original package or change orders.

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

				costs.		
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DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

TABLE 16-2, CONTRACTOR PERFORMANCE EVALUATION REPORT						
Ratings Excellent Very Good Marginal Submarginal						Period of _____ Contract Number _____ Contractor _____ Date of Report _____ PNS Technical Monitor/s _____
CATEGORY	CRITERIA	RATING	ITEM FACTOR	EVALUATION RATING	CATEGORY FACTOR	EFFICIENCY RATING
A	TIME OF DELIVERY A-1 Adherence to Plan Schedule A-2 Action on Anticipated Delays A-3 Plan Maintenance	_____ _____ _____	x x x	.40 .30 .30	= _____ = _____ = _____	 _____ x .30 = _____
B	QUALITY OF WORK B-1 Work Appearance B-2 Thoroughness and Accuracy of Work B-3 Engineering Competence B-4 Liaison Effectiveness B-5 Independence and Initiative	_____ _____ _____ _____ _____	x x x x	.15 .30 .20 .15 .15	= _____ = _____ = _____ = _____	 _____ x .40 = _____
Total Item Weighed Rating						

DFARS Procedures, Guidance, and Information

PGI 216—Types of Contracts

C	EFFECTIVE- NESS IN CONTROL- LING AND/OR REDUCING COSTS C-1 Utilization of Personnel	_____	x	.30	=	_____
	C-2 Control of all Direct Charges Other than Labor	_____	x	.30	=	_____
	C-3 Performance to Cost Estimate	_____	x	.40	=	_____
	Total Item Weighed Rating	_____	x	.30	=	_____
TOTAL WEIGHT RATING _____						
Rated by: _____						
Signature(s) _____						
NOTE: Provide supporting data and/or justification for below average or outstanding item ratings.						

DFARS Procedures, Guidance, and Information

PGI 225--Foreign Acquisition

(Revised August 29, 2012)

PGI 225.73--ACQUISITIONS FOR FOREIGN MILITARY SALES

PGI 225.7300 Scope of subpart.

(a) The Foreign Military Sales (FMS) acquisition infrastructure is also used to execute cases funded with U.S. appropriated funds under special authority to build international partner capacity. These Building Partner Capacity (BPC) cases are implemented using Pseudo Letter of Offer and Acceptance (LOA) documents.

PGI 225.7301 General.

(c)(i) Separately identify known FMS requirements and the FMS customer in solicitations.

(ii) Clearly identify contracts for known FMS requirements by the case identifier code in section B of the Schedule.

(iii) Ensure that the FMS LOA terms and conditions are incorporated into the signed contract.

(iv) Ensure that the shipping terms for any contract of FMS materiel are stated as free on board (f.o.b.) origin.

(v) For Pseudo LOAs, ensure that the period of performance in the contract is consistent with the period of availability of appropriated funds, as provided by the financial resource manager.

(vi) Consistent with the Defense Transportation Regulations (DTR) 4500.9-R-Part II, Cargo Movement, <http://www.transcom.mil/dtr/part-ii/>, Appendix E, contracting officers shall ensure that contracts involving the acquisition and delivery of FMS material comply with the policies, procedures, packaging, labeling, and documentation requirements specified by the DTR.

(vii) The Government representative responsible for acceptance shall ensure that the contractor prepares material inspection and receiving reports in compliance with—

(A) Appendix F, F-301(b)(15)(iv)(K) for a Wide Area WorkFlow (WAWF) Receiving Report; or

(B) F-401(b)(16)(iv)(L) for a paper DD Form 250, Material Inspection and Receiving Report, if an exception to the use of WAWF at [232.7003](#) applies.

DFARS Procedures, Guidance, and Information

PGI 225--Foreign Acquisition

(viii) Prior to contract award, contracting officers shall ensure that—

(A) If a contracting officer's representative is assigned, detailed point of contact information (email, phone number with international dialing protocols, and physical and mailing address) shall be clearly visible;

(B) Unique country requirements are specified in the contract (i.e., additional documentation requirements for use in country customs clearance (Levy Exemption waiver));

(C) Commodity-unique requirements are specified in the contract (i.e., responsibility for obtaining/paying for/affixing active Radio Frequency Identification tags and Transportation Control Number construction/usage); and

(D) The FMS Transportation Accounting Code is stated in the contract.

PGI 225.7302 Guidance.

For FMS programs that will require an acquisition, the contracting officer will assist the DoD implementing agency responsible for preparing the LOA by—

(1) Working with prospective contractors to—

(i) Identify, in advance of the LOA, any unusual provisions or deviations (such as those requirements for Pseudo LOAs identified at [PGI 225.7301](#));

(ii) Advise the contractor if the DoD implementing agency expands, modifies, or does not accept any requirements proposed by the contractor;

(iii) Identify any logistics support necessary to perform the contract (such as those requirements identified at [PGI 225.7301](#)); and

(iv) For noncompetitive acquisitions over \$10,000, ask the prospective contractor for information on price, delivery, and other relevant factors. The request for information shall identify the fact that the information is for a potential foreign military sale and shall identify the foreign customer; and

(2) Working with the DoD implementing agency responsible for preparing the LOA to—

(i) Assist, as necessary, in preparation of the LOA;

(ii) Identify and explain all unusual contractual requirements or requests for deviations; and

DFARS Procedures, Guidance, and Information

PGI 225--Foreign Acquisition

- (iii) Assist in preparing the price and availability data.

DFARS Procedures, Guidance, and Information

PGI 232.—Contract Financing

(Revised August 29, 2012)

PGI 232.70—ELECTRONIC SUBMISSION AND PROCESSING OF PAYMENT REQUESTS AND RECEIVING REPORTS

PGI 232.7004 Contract clause instructions.

(b)(1) The clause [252.232-7006](#), Wide Area WorkFlow Payment Instructions shall be located in the contract administration section of the contract (e.g. Section G).

(2) Complete paragraph (f)(1) of the clause by selecting a document type from the list in (i) through (xv) below. Document type selection is contingent on contract type (i.e. fixed price, cost reimbursement), nature of the work being performed or product being acquired, and the entitlement system of the DoD Component. Use the guidance for Wide Area WorkFlow (WAWF) payment instructions found at <https://wawf.eb.mil/> to determine which document types are available for each entitlement system. WAWF document types include—

- (i) Invoice (stand-alone) and Receiving Report (stand-alone);
- (ii) Fast Pay (FAR 52.213-1) Invoice (stand-alone) and Receiving Report (stand-alone);
- (iii) Invoice 2-in-1 (Services only);
- (iv) Commercial Item Financing;
- (v) Performance-Based Payment;
- (vi) Progress Payment;
- (vii) Invoice and Receiving Report (Combo)(see paragraph (3) of this section);
- (viii) Fast Pay (FAR 52.213-1) Invoice and Receiving Report (Combo)(see paragraph (3) of this section);
- (ix) Cost Voucher (FAR 52.216-7, 52.232-7);
- (x) Cost Voucher—Shipbuilding;
- (xi) Grant Voucher;
- (xii) Navy Construction/Facilities Management Invoice;
- (xiii) Navy Shipbuilding Invoice—Fixed Price;
- (xiv) Telecom Invoice (Contractual); and
- (xv) Other document type, exactly as it appears in the WAWF system, as mutually agreed to by the contracting parties.

DFARS Procedures, Guidance, and Information

PGI 232.—Contract Financing

(3) A Combo document may be used with the stand-alone alternative, separated by “or” e.g. “(vii) Invoice and Receiving Report (Combo) or (i) Invoice (stand-alone) and Receiving Report (stand-alone);” or “(viii) Fast Pay (FAR 52.213-1) Invoice and Receiving Report Combo or (ii) Fast Pay (FAR 52.213-1) Invoice (stand-alone) and Receiving Report (stand-alone).”

(4) Complete paragraph (f)(2) of the clause only when document types, “Invoice (stand-alone) and Receiving Report (stand-alone)” and “Invoice and Receiving Report (Combo)” are used. Identify the applicable inspection and acceptance locations from the clause as follows:

- (i) Inspection location: (select either “Source,” “Destination,” or “Other”).
- (ii) Acceptance location: (select either “Source,” “Destination,” or “Other”).

(5) Complete paragraph (f)(3) of the clause before contract award. Selection of applicable DoDAACs is dependent on the document type and the entitlement system used by the DoD Component.

(i) To determine applicable DoDAACs, use the guidance for WAWF payment instructions at <https://wawf.eb.mil/>.

(ii) If a DoDAAC field is not listed in paragraph (f)(3) Routing Data Table, select “Other DoDAAC(s)” and list the DoDAAC field name(s) as they appear in the WAWF system and applicable DoDAAC(s).

(iii) When multiple “Ship to” and inspection/acceptance locations” (i.e. DoDAACs) exist, enter “See schedule.” The corresponding schedule in the contract/order must cite all applicable DoDAACs.

(iv) Validate DoDAACs using the following resources:

(A) For inspector, acceptor and local processing office roles, use <https://wawf.eb.mil/> and click on the “Active DoDAACs & Roles link” in the “Help” section on the home page to validate active DoDAACs and user roles in WAWF.

(B) For all other DoDAACs, use <https://www.daas.dla.mil/daasing/>.

(6) Complete paragraph (f)(5) by entering e-mail addresses of other Government personnel requiring status of the payment request, if applicable.

(7) Complete paragraph (g) by entering the WAWF point of contact information, if applicable.

DFARS Procedures, Guidance, and Information

PGI 237—Service Contracting

(Revised August 29, 2012)

PGI 237.1--SERVICE CONTRACTS--GENERAL

PGI 237.102-70 Prohibition on contracting for firefighting or security-guard functions.

(d)(i) To ensure that the personnel limitations in DFARS [237.102-70](#)(d)(1)(iv) are not exceeded, there is an office of primary responsibility (OPR) within each department or agency that is responsible for managing the total number of security-guard personnel on contract for the department or agency.

(ii) Before finalizing a contract action that affects the number of security-guard personnel on contract, the contracting officer shall request, from the requiring activity, evidence of the OPR's approval for the contract action. This requirement also applies to renewal or exercise of options for the same number of security-guard personnel, to ensure compliance with the statutory limitations/reductions specified for each fiscal year.

(iii) If the evidence of approval is not provided by the requiring activity, the contracting officer shall directly contact the applicable OPR for approval before finalizing the contract action. OPRs are as follows:

- (A) U.S. Army:
 - HQ Department of the Army
 - Office of the Provost Marshal General
 - 2800 Army Pentagon
 - Washington, DC 20310
 - Phone: 703-695-4210 or 703-614-2597.

- (B) U.S. Navy:
 - Commander, Navy Installations
 - Command (CNIC) N3
 - 2715 Mitscher Road, Suite 300
 - Anacostia Annex
 - Washington, DC 20373
 - Phone: 202-409-4053.

- (C) U.S. Marine Corps:
 - HQ U.S. Marine Corps
 - Assistant Deputy Commandant, Plans, Policy, &
Operations (Security)
 - 3000 Marine Corps Pentagon
 - Washington, DC 20350
 - Phone: 571-201-3633.

DFARS Procedures, Guidance, and Information

PGI 237—Service Contracting

(D) U.S. Air Force:
HQ Air Force
Directorate of Security Forces
Programs & Resources Division (A7SX)
1340 AF Pentagon
Washington, DC 20330
Phone: 703-588-0027 or 703-588-0012.

(E) Pentagon Force Protection Agency:
Pentagon Force Protection Agency
9000 Defense Pentagon
Washington, DC 20301
Phone: 703-693-3685.

PGI 237.102-71 Limitation on service contracts for military flight simulators.

(1) To process a request for waiver, the contracting officer shall submit the request and appropriate documentation relating to the requirements of DFARS [237.102-71](#)(b) to:

Director, Defense Procurement and Acquisition Policy
ATTN: OUSD(AT&L)DPAP/CPIC
3060 Defense Pentagon
Washington, DC 20301-3060

Phone: 703-697-8334 FAX: 703-614-1254

(2) The action officer in the Office of the Director, Defense Procurement and Acquisition Policy, Contract Policy and International Contracting (DPAP/CPIC), will process the request through the Office of the Secretary of Defense and will forward the appropriate documentation to the congressional defense committees. The contracting officer shall not award a contract until notified by the DPAP/CPIC action officer that the waiver has been approved, the appropriate documentation has been transmitted to the congressional defense committees, and the required 30 days have passed.

PGI 237.102-73 Prohibition on contracts for services of senior mentors.

DoD policies on senior mentors are set forth in (1) Secretary of Defense memorandum, subject: Policy on Senior Mentors (April 1, 2010) (see [here](#)) and (2) Deputy Secretary of Defense memorandum, subject: Implementation Guidance on Senior Mentors Policy (July 8, 2010) (see [here](#)).

PGI 237.102-74 Taxonomy for the acquisition of services.

Click [here](#) for OUSD(AT&L) DPAP memorandum, "Taxonomy for the Acquisition of Services," dated November 23, 2010. An Excel version of "Acquisition of Services

DFARS Procedures, Guidance, and Information

PGI 237—Service Contracting

Taxonomy” is available [here](#).

PGI 237.102-75 Guidebook for the acquisition of services.

The “Guidebook for the Acquisition of Services” is available [here](#). This document provides acquisition teams with a step-by-step guide explaining the process of acquiring services.

PGI 237.102-76 Review criteria for the acquisition of services.

The tenets of the DoD-wide architecture for the acquisition of services along with the associated review criteria are available [here](#). These matrices are to be used when conducting reviews in the preaward phase (Review/Approval of Acquisition Strategies or Preaward Peer Reviews) and in the postaward phase (Postaward Peer Reviews). See DFARS [201.170](#), Peer reviews, and [PGI 201.170](#), Peer reviews.

PGI 237.102-77 Automated requirements roadmap tool.

The Automated Requirements Roadmap Tool (ARRT) is a tool that enables requiring activities to develop and organize performance requirements into draft versions of the performance work statement, the quality assurance surveillance plan, and the performance requirements summary. ARRT provides a standard template for these documents and some default text that can be modified to reflect a particular requirement. This tool should be used to prepare contract documents for all performance-based acquisitions for services. ARRT is available for download at <http://sam.dau.mil/ARRTRegistration.aspx>.

237.102-78 Market research report guide for improving the tradecraft in services acquisition.

See [PGI 210.070](#) for guidance on use of the market research report guide to conduct and document market research for service acquisitions.

PGI 237.171 Training for contractor personnel interacting with detainees.

PGI 237.171-3 Policy.

(b)(i) *Geographic areas of responsibility.* With regard to training for contractor personnel interacting with detainees—

(A) The Commander, U.S. Southern Command, is responsible for the U.S. military detention center at Guantanamo Bay, Cuba.

(B) The Commander, U.S. Joint Forces Command, is responsible for the Navy Consolidated Brig, Charleston, SC.

DFARS Procedures, Guidance, and Information

PGI 237—Service Contracting

(C) The other combatant commander geographic areas of responsibility are identified in the Unified Command Plan, 1 March 2005, which can be found at: <http://www.defenselink.mil/specials/unifiedcommand/>.

(ii) *Point of contact information for each command:*

US Central Command (USCENTCOM)

Commander, Combined Forces Land Component Commander (CFLCC)

a.k.a. Third Army, Ft. McPherson, Atlanta, GA

Staff Judge Advocate (SJA) Forward, Kuwait

POC: Lieutenant Colonel Gary Kluka

E-mail: Gary.Kluka@arifjan.arcent.army.mil

Comm: 011-965-389-6303; DSN: 318-430-6303; Alt. US numbers: 404-464-3721 or 404-464-4219

US European Command (USEUCOM)

Logistics and Security Assistance Directorate

Chief, Contingency Contracting and Contract Policy Division (USEUCOM J4-LS)

POC: Major Michael Debreczini

debreczm@eucom.smil.mil

Comm: 011-49-711-680-7202; DSN: 314-0430-7202

US Joint Forces Command (USJFCOM)

**Applicable to potential detainees in the United States at Navy Consolidated Brig, Charleston, SC

Headquarters, USJFCOM (J355)

Personnel Recovery & Special Operations Division (J355)

POC: Lieutenant Colonel John Maraia

Comm: 757-836-5799; DSN: 836-5799

US Northern Command (USNORTHCOM)

Not applicable to USNORTHCOM; see US Joint Forces Command

US Pacific Command (USPACOM)

Headquarters, Office of the Staff Judge Advocate (SJA)

Deputy Staff Judge Advocate

POC: Lieutenant Colonel James Buckels, USAF

james.buckels@pacom.mil

Comm: 808-477-1193

US Southern Command (USSOUTHCOM)

Headquarters, Office of the Staff Judge Advocate (SJA)

Joint Task Force Guantanamo Bay

POC: Lieutenant Commander Tony Dealicante

DealicanteTF@JTFGTMO.southcom.mil

DFARS Procedures, Guidance, and Information

PGI 237—Service Contracting

Comm: 011-5399-9916; DSN: 660-9916

US Special Operations Command (USSOCOM)

Headquarters, Office of the Staff Judge Advocate (SJA)

Attn: Staff Judge Advocate

POC: Colonel Dana Chipman

chipmad@socom.mil

Comm: 813-828-3288; DSN: 299-3288