

DFARS Procedures, Guidance, and Information

PGI 201—Federal Acquisition Regulations System

(Revised September 30, 2015)

PGI 201.1—PURPOSE, AUTHORITY, ISSUANCE

201.106 OMB approval under the Paperwork Reduction Act.

The information collection and recordkeeping requirements contained in the Defense Federal Acquisition Regulations Supplement (DFARS) and Procedures, Guidance, and Information (PGI) have been approved by the Office of Management and Budget. The following OMB control numbers apply:

DFARS Segment	OMB Control No.
215.403-5	0704-0497
217.7004(a)	0704-0214
217.7404-3(b)	0704-0214
217.7505(d)	0704-0214
231.205-18	0704-0483
239.7408	0704-0341
242.1106	0704-0250
245.302(1)(i)	0704-0246
245.604-3(b) and 3(d)	0704-0246
252.204-7000	0704-0225
252.204-7008	0704-0478
252.204-7010	0704-0454
252.204-7012	0704-0478
252.205-7000	0704-0286
252.208-7000	0704-0187
252.209-7001	0704-0187
252.209-7002	0704-0187
252.209-7004	0704-0187
252.209-7008	0704-0477
252.211-7004	0704-0398
252.211-7005	0704-0398
252.211-7006	0704-0434
252.211-7007	0704-0398
252.215-7002	0704-0232
252.215-7005	0704-0446
252.216-7000	0704-0259
252.216-7001	0704-0259

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DFARS Segment	OMB Control No.
252.216-7003	0704-0259
252.217-7012	0704-0214
252.217-7026	0704-0214
252.217-7028	0704-0214
252.219-7003	0704-0386
252.223-7001	0704-0272
252.223-7002	0704-0272
252.223-7003	0704-0272
252.223-7004	0704-0272
252.223-7007	0704-0272
252.225-7000	0704-0229
252.225-7003	0704-0229
252.225-7004	0704-0229
252.225-7005	0704-0229
252.225-7006	0704-0229
252.225-7010	0704-0229
252.225-7013	0704-0229
252.225-7018	0704-0229
252.225-7020	0704-0229
252.225-7021	0704-0229
252.225-7023	0704-0229
252.225-7025	0704-0229
252.225-7032	0704-0229
252.225-7033	0704-0229
252.225-7035	0704-0229
252.225-7040	0704-0460
252.225-7046	0704-0229
252.225-7049	0704-0525
252.225-7050	0704-0187
252.227-7013	0704-0369
252.227-7014	0704-0369
252.227-7017	0704-0369
252.227-7018	0704-0369
252.227-7019	0704-0369
252.227-7025	0704-0369
252.227-7028	0704-0369

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252.227-7037	0704-0369
252.228-7000	0704-0216
252.228-7005	0704-0216
252.228-7006	0704-0216
252.229-7010	0704-0390
252.232-7002	0704-0321
252.232-7007	0704-0359
252.232-7012	0704-0485
252.232-7013	0704-0485
252.234-7002	0704-0479
252.235-7000	0704-0187
252.235-7001	0704-0187
252.235-7003	0704-0187
252.236-7000	0704-0255
252.236-7002	0704-0255
252.236-7003	0704-0255
252.236-7004	0704-0255
252.236-7010	0704-0255
252.236-7012	0704-0255
252.237-7000	0704-0231
252.237-7011	0704-0231
252.237-7023	0704-0231
252.237-7024	0704-0231
252.239-7000	0704-0341
252.239-7006	0704-0341
252.239-7009	0704-0478
252.239-7010	0704-0478
252.242-7004	0704-0250
252.243-7002	0704-0397
252.244-7001	0704-0253
252.245-7003	0704-0246
252.246-7003	0704-0441
252.246-7005	0704-0481
252.246-7006	0704-0481
252.247-7000	0704-0245
252.247-7001	0704-0245

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DFARS Segment	OMB Control No.
252.247-7002	0704-0245
252.247-7007	0704-0245
252.247-7022	0704-0245
252.247-7023	0704-0245
252.247-7024	0704-0245
252.247-7026	0704-0245
252.247-7028	0704-0245
252.251-7000	0704-0252
Appendix I	0704-0332
DD Form 1348-1A	0704-0246
DD Form 1639	0704-0246
DD Form 1659	0704-0245
DD Form 1861	0704-0232
DD Form 2063	0704-0231
DD Form 2139	0704-0229
DD Form 250	0704-0248
DD Form 250-1	0704-0248

PGI 201.109 Statutory acquisition-related dollar thresholds – adjustment for inflation.

Statutory acquisition-related dollar thresholds are reviewed every 5 years to calculate adjustment for inflation, as required by Section 807 of the National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375). The matrix showing the most recent escalation adjustments of statutory acquisition-related dollar thresholds in the DFARS is available [here](#).

PGI 201.170 Peer Reviews.

PGI 201.170-1 Objective of Peer Reviews.

The objectives of Peer Reviews are to—

- (a) Ensure that DoD contracting officers are implementing policy and regulations in a consistent and appropriate manner;
 - (b) Continue to improve the quality of contracting processes throughout DoD; and
 - (c) Facilitate cross-sharing of best practices and lessons learned throughout DoD
- Defense Procurement and Acquisition Policy maintains a database of Peer Review

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recommendations, lessons learned, and best practices that is available at:
http://www.acq.osd.mil/dpap/cpic/cp/peer_reviews.html.

PGI 201.170-2 Pre-award Peer Reviews.

(a) Pre-award Peer Reviews for competitive acquisitions shall be conducted prior to each of the following three phases of the acquisition:

- (1) Issuance of the solicitation.
- (2) Request for final proposal revisions (if applicable).
- (3) Contract award.

(b) Pre-award Peer Reviews for non-competitive acquisitions shall be conducted prior to each of the following two phases of the acquisition:

- (1) Negotiation.
- (2) Contract award.

PGI 201.170-3 Post-award Peer Reviews of service contracts.

(a) If the base period of performance is greater than one year, the first post-award Peer Review should take place at the mid-point of the base period of performance. If the base period of performance is one year or less, the post-award Peer Review should occur prior to exercise of the first option year. Post-award Peer Reviews should occur prior to every option period thereafter.

(b) Post-award Peer Reviews shall be focused on—

- (1) The adequacy of competition;
- (2) An assessment of actual contract performance; and
- (3) The adequacy of Government surveillance of contract performance.

PGI 201.170-4 Administration of Peer Reviews.

(a) The results and recommendations that are products of Peer Reviews are intended to be advisory in nature; however, in the event the Peer Review report includes a recommendation that is identified as “significant” and the contracting officer does not intend to follow that recommendation, the senior procurement official of the contracting activity for the reviewed organization must be made aware of this fact before action is taken (or inaction, as applicable) that is contrary to the recommendation. Reviews will be conducted in a manner that preserves the authority, judgment, and discretion of the contracting officer

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and the senior officials of the acquiring activity.

(b) Peer Review teams will be comprised of senior contracting officials and attorneys from throughout DoD. A senior official designated by the OSD Office of Small Business Programs will participate as a team member on Peer Reviews of services acquisitions. Teams will include civilian employees or military personnel external to the department, agency, or component that is the subject of the Peer Review.

(c) Generally, each review will be conducted at the location of the executing contracting organization.

(d) A list of the documents that must be made available to the review team, along with the specific elements the team will examine, is provided at the end of this PGI section.

(e) The review team observations and recommendations will be communicated to the contracting officer and the senior procurement official immediately upon completion of a review.

(f) The contracting officer shall document the disposition of all Peer Review recommendations (i.e., state whether the recommendation will be followed and, if not, why not) as a signed memorandum for the record in the applicable contract file. This memorandum must be executed prior to the next phase Peer Review or prior to contract award for Phase 3 reviews. For post-award Peer Reviews of services acquisitions, the memorandum must be executed prior to the next option exercise. The contracting officer shall provide a copy of the memorandum to: Deputy Director, Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), 3060 Defense Pentagon, Washington, DC 20301-3060.

<p style="text-align: center;">Pre-award Peer Reviews Required Documents and Elements</p>
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Required Documents: At a minimum, Peer Review teams shall have access to the following documents (as applicable):

1. The requirements document, to include the Acquisition Decision Memorandum;
2. The acquisition strategy, or acquisition plan;
3. The source selection plan;
4. The initial Request for Proposals (RFP) and all amendments to include what, if any, RFP requirements (technical and contractual) were changed and why;
5. The Source Selection Evaluation Board (SSEB) analysis and findings to ensure the evaluation of offers was consistent with the Source Selection Plan and RFP criteria;
6. Any meeting minutes memorializing discussions between the Government and offerors;

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7. All evaluation notices generated as a result of deficiencies in the offerors' proposals as well as the offerors' responses to those evaluation notices;
8. All minutes memorializing the conduct of Source Selection Advisory Council (SSAC) deliberations held to date;
9. The offerors' responses to the request for Final Proposal Revision;
10. The final SSAC deliberations;
11. The final SSA determination and source selection decision;
12. Award/incentive fee arrangements, documentation of any required HCA D&Fs regarding non-availability of objective criteria;
13. Justification and Approval for use of non-competitive procedures; and
14. Documentation of pre-negotiation objectives, cost/price negotiation and the assessment of contractor risk in determining profit or fee.

Elements to be addressed:

1. The process was well understood by both Government and Industry;
2. Source Selection was carried out in accordance with the Source Selection Plan and RFP;
3. The SSEB evaluation was clearly documented;
4. The SSAC advisory panel recommendation was clearly documented;
5. The SSA decision was clearly derived from the conduct of the source selection process;
6. All source selection documentation is consistent with the Section M evaluation criteria; and
7. The business arrangement.

Post-award Peer Reviews Required Documents and Elements
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Required Documents: At a minimum, Peer Review teams shall have access to the following documents (as applicable):

1. The requirements document;
2. The business arrangement, including business case analysis;
3. Market research documentation;
4. The business clearance, including documentation of cost/price negotiation and the assessment of contractor risk in determining profit or fee.
5. Contractor surveillance documentation to include metrics, quality assurance surveillance plans; and
6. The contract and modifications thereof.

Elements to be addressed, at a minimum, in every post-award review:

1. Contract performance in terms of cost, schedule, and requirements;

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2. Use of contracting mechanisms, including the use of competition, the contract structure and type, the definition of contract requirements, cost or pricing methods, the award and negotiation of task orders, and management and oversight mechanisms;
3. Contractor's use, management, and oversight of subcontractors;
4. Staffing of contract management and oversight functions; and
5. Extent of any pass-throughs, and excessive pass-through charges by the contractor (as defined in section 852 of the National Defense Authorization Act for Fiscal Year 2007, Public Law 109-364).
6. Steps taken to mitigate the risk that, as implemented and administered, non-personal services contracts may become de facto personal services contracts.

Elements to be addressed in post-award reviews of contracts under which one contractor provides oversight for services performed by other contractors:

1. Extent of the DoD component's reliance on the contractor to perform acquisition functions closely associated with inherently governmental functions as defined in 10 U.S.C. 2383(b)(3); and
2. The financial interest of any prime contractor performing acquisition functions described in paragraph (1) in any contract or subcontract with regard to which the contractor provided advice or recommendations to the agency.

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PGI 204.2—CONTRACT DISTRIBUTION

PGI 204.201 Procedures.

(1) The procuring contracting officer (PCO) retains the original signed contract for the contract file. Administrative contracting officers and termination contracting officers provide the original of each modification to the PCO for retention in the 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; and

(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 (except as provided at DFARS [204.270-1\(a\)](#)) 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 (PDS) Extensible Markup Language (XML) format:
http://www.acq.osd.mil/dpap/pdi/eb/procurement_data_standard.html

(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

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contract administration to another office (see FAR subpart 42.2). The contracting officer also 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

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copy to the contract administration office cognizant of each location).

(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.

PGI 204.270-2 Procedures.

(a) Contracting officers shall maintain an account in Electronic Document Access (EDA) to ensure their ability to—

(1) Validate and verify data and documents distributed to EDA, as necessary; and

(2) Review and act upon contract deficiency reports.

(b) Agencies shall perform, upon deployment of any contract writing system or other source of contractual documents to be posted to EDA, an analysis to verify adequate controls are in place to ensure that contract documents including attachments, and contract data posted to EDA are accurate representations of the contract. Analyses performed shall include the following—

(1) For documents posted in document formats (e.g., Portable Document Format (PDF)), verification that the electronic versions of contract documents posted to EDA are accurate representations of the contract; however, the electronic version is not required to display visual signatures; and

(2) For data sent to EDA in the data standards at [PGI 204.201](#), review of the data posted to EDA against the contract documents verified under [PGI 204.270\(b\)\(1\)](#) to ensure the contract data rendered in EDA is an accurate representation of the underlying contract. To facilitate this review process, all feeds of data to EDA in the Procurement Data Standard are initially placed in a view only evaluation mode, where the data is not available to other systems or outside users pending verification. Upon completion of the review of data, contracting organizations shall notify the EDA program office of the results of the review, with a list of the issuing offices of the contractual actions, the identifier of the system sending the actions, the version or versions of the

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data standards to which the review applies, and the locations of the systems sending the actions, directing one of the following decisions—

- (i) Delete all data sent to date (in this case the system remains in evaluation status pending further review);
- (ii) Delete all data sent to date, and change all subsequent data from 'evaluation' to 'compliant' status; or
- (iii) Retain all data sent to date, and change all subsequent data from 'evaluation' to 'compliant' status.

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PGI 204.8—CONTRACT FILES

PGI 204.804 Closeout of contract files.

Data supporting contract closeout (e.g., DD Form 1594, Contract Completion Statement) are electronically transmitted throughout DoD. The Defense Logistics Manual, 4000.25 Volume 7, Contract Administration, Chapter 4, Contract Completion Status Reporting, available at http://www.dla.mil/j-6/dlmso/elibrary/manuals/dlm/dlm_pubs.asp, contains detailed instructions regarding closeout and electronic data transmission.

(1) The administration office closeout date for file purposes will be the date in Block 9d of the DD Form 1594 or agency equivalent.

(2) If the contracting office must do a major closeout action that will take longer than 3 months after the date shown in Block 9d of the DD Form 1594—

(i) The purchasing office closeout date for file purposes will be the date in Block 10e of the DD Form 1594 or agency equivalent; and

(ii) The contracting office shall notify the contract administration office of the revised closeout date by either sending a copy of the completed DD Form 1594 or by electronically transmitting the data.

PGI 204.804-1 Closeout by the office administering the contract.

(1) Locally developed forms or a statement of completion may be used instead of the DD Form 1594, Contract Completion Statement, and use the administration office closeout date. Whichever method is used, the form shall be retained in the contract file and copies sent to Electronic Document Access (EDA) and financial systems using the American National Standards Institute (ANSI) X12 Electronic Data Interchange (EDI) 567 transaction set.

(2) For contracts valued above the simplified acquisition threshold and not subject to the automated closeout procedures at [PGI 204.804-3](#), prepare a DD Form 1597, Contract Closeout Check List (or agency equivalent), to ensure that all required contract actions have been satisfactorily accomplished.

PGI 204.804-2 Closeout of the contracting office files if another office administers the contract.

(1) When an office other than the contracting office administers the contract, the administering office shall—

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(i) Provide the contracting office an interim contract completion statement when the contract is physically completed using the ANSI X12 567;

(ii) Prepare a DD Form 1597, Contract Closeout Check List or agency equivalent, if necessary, to determine that all the required actions have been completed;

(iii) Initiate DD Form 1593, Contract Administration Completion Record, if necessary to obtain statements from other organizational elements that they have completed the actions for which they are responsible; and

(iv) Upon final payment—

(A) Process a DD Form 1594 or the electronic equivalent verifying that all contract administration office actions have been completed; and

(B) Send the original DD Form 1594 or the electronic equivalent to the contracting office for filing in the contract file and send a copy to EDA and financial systems using the ANSI X12 567.

(2) If the administrative contracting officer (ACO) cannot close out a contract within the specified time period (see FAR 4.804-1), the ACO shall notify the procuring contracting officer (PCO) within 45 days after the expiration of the time period of—

(i) The reasons for the delay; and

(ii) The new target date for closeout.

(3) If the contract still is not closed out by the new target date, the ACO shall again notify the PCO with the reasons for delay and a new target date.

PGI 204.804-3 Closeout of paying office contract files.

(1) *Automated contract closeout.* As permitted by FAR 4.804-5(a), automated contract closeout allows a system to initiate and execute the closeout action. The contract qualifies for the automated closeout process if the contract—

(i) Is firm-fixed priced;

(ii) Does not exceed a total contract value of \$500,000 (inclusive of exercised options); and

(iii) Does not contain any of the following provisions requiring administrative action at closeout:

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(A) FAR 52.211-11 Liquidated Damages—Supplies, Services, or Research and Development.

(B) FAR 52.216-7 Allowable Cost and Payment.

(C) FAR 52.227-9 Refund of Royalties.

(D) FAR 52.227-11 Patent Rights—Ownership by the Contractor.

(E) FAR 52.227-13 Patent Rights—Ownership by the Government.

(F) FAR 52.232-16 Progress Payments.

(G) FAR 52.232-29 Terms for Financing of Purchases of Commercial Items.

(H) FAR 52.232-30 Installment Payments for Commercial Items.

(I) FAR 52.232-32 Performance-Based Payments.

(J) FAR 52.245-1 Government Property.

(K) FAR 52.248-1 Value Engineering.

(2) Components may apply additional conditions not listed above, as necessary to ensure all contract requirements have been completed prior to closeout.

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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 certified cost or pricing data if a procurement exceeds the TINA threshold and none of the exceptions to certified cost or pricing data requirements applies. Under TINA, the contracting officer obtains accurate, complete, and current data from offerors to establish a fair and reasonable price (see FAR 15.403). TINA also allows for a price adjustment remedy if it is later found that a contractor did not provide accurate, complete, and current data.

(2) When certified cost or pricing data are not required, and the contracting officer does not have sufficient data to determine price reasonableness, FAR 15.402(a)(2) requires the offeror to provide whatever data the contracting officer needs in order to determine fair and reasonable prices.

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

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

PGI 215.403 Obtaining certified cost or pricing data.

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

(b) *Exceptions to certified cost or pricing data requirements.* Even if an exception to certified 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 data other than certified cost or pricing data, including data related to prices and cost data that would otherwise be defined as certified 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 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;

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(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 data other than certified cost or pricing data. This includes data related to prices and cost data that would otherwise be defined as certified cost or pricing data if certified. Obtaining sufficient data from the offeror is particularly critical in situations where an item is determined to be a commercial item in accordance with FAR 2.101 and the contract is being awarded on a sole source basis. See [PGI 215.404-1](#) for more detailed procedures for use when obtaining 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.

(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.

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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 data, 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 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 certified 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 certified 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.

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(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 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 data other than certified cost or pricing data.

To the extent that certified 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 “data other than certified cost or pricing data” (see definition at FAR 2.101). In accordance with FAR 15.403-3(a), the offeror must provide appropriate data 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) *Data other than certified cost or pricing data.* When certified cost or pricing data are not required, the contracting officer must obtain whatever data is necessary in order to determine the reasonableness of the price. The FAR defines this as “data other than certified 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 data 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 data from offerors to determine price reasonableness.

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(2) *Previously been sold.* Contracting officers shall request offerors to provide data 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 data is sufficient for determining that prices are fair and reasonable. If the sales data is not sufficient, additional data shall be obtained, including cost data if necessary. See [PGI 215.404-1](#) for more detailed procedures for obtaining whatever data 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. 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.

(5) *Canadian Commercial Corporation.* All contracts with the Canadian Commercial Corporation (CCC) are placed in accordance with the practices, policies and procedures of the Government of Canada covering procurement for defense purposes (see [PGI 225.870](#)). Contracting Officers may rely on the confirmation and endorsement of the offer from the Canadian Commercial Corporation at [225.870-3\(a\)](#) as an endorsement of the cost/price as no more than would be charged to the Canadian government.

(i) When [252.215-7003](#) or [252.215-7004](#) are included in a solicitation with the Canadian Commercial Corporation, the data required by paragraph (b)(i) and (ii), in concert with the confirmation and endorsement of the offer, is intended to meet the requirements of FAR 15.404-1 for documentation of fair and reasonable pricing.

(ii) Use of [252.215-7003](#) or [252.215-7004](#) in sole source acquisitions not meeting the threshold at [215.408\(3\)\(i\)\(A\)](#) or (ii)(A)(1) or competitive acquisitions at any dollar value shall be supported by a determination and finding justifying the anticipated need for data other than certified cost or pricing data to determine a fair and reasonable price.

(iii) When the contracting officer anticipates the need for additional data to establish a fair and reasonable price, specific data should be requested at time of solicitation as detailed in DFARS [252.215-7003](#).

(iv) Examples of clause use:

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Scenario	Requirement
Sole source to CCC, fixed price, with estimated value of \$600 million.	Include provision and clause in accordance with 215.408(3)(i)(A)(2) and (ii)(A)(1)(ii), respectively, because estimated value exceeds \$500 million.
Sole source to CCC, cost reimbursement, with estimated value of \$800,000.	Include provision and clause in accordance with 215.408(3)(i)(A)(1) and (ii)(A)(1)(i), respectively, because estimated value exceeds \$700,000.
Sole source to CCC, cost-reimbursement, with estimated value of \$500,000.	Do not include provision and clause, unless D&F is approved in accordance with 215.408(3)(i)(B) and (ii)(A)(2)), respectively, because estimated value does not exceed \$700,000.
Sole source to CCC, fixed price, with estimated value of \$800,000	Do not include provision and clause, unless D&F is approved in accordance with 215.408(3)(i)(B) and (ii)(A)(2)), respectively, because estimated value does not exceed \$500 million.
Modifications to contracts that include the clause 252.215-7004 .	If 252.215-7004 is included in the contract, then data are required for modifications valued above the simplified acquisition threshold, or a higher threshold specified in the solicitation by the contracting officer, in accordance with 252.215-7004(b) .

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 data to determine price reasonableness and the offeror will not furnish that data, use the following sequence of steps to resolve the issue:

(A) The contracting officer should make it clear what data is required and why it is needed to determine fair and reasonable prices, and should be flexible in requesting data 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).

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(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 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 data other than cost or pricing data from the offeror, at a minimum, the contracting officer must obtain appropriate data on the prices at which the same or similar items have been sold previously (often previous sales data was the basis of the commercial item determination and must be requested during price analysis of the data provided by the offeror). If previous sales data is not sufficient to determine price reasonableness, the contracting officer must obtain "data other than certified cost or pricing data" and, if necessary, perform a cost analysis.

(iv) Analysis of termination proposals, including termination of any contract scope, should not rely solely on earned value management budgets or estimates for estimating the costs of all work deleted, or the cost of deleted work already performed (reference FAR subpart 15.4, Table 15-2—Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data are Required, columns (2) and (3) of section III.B., Change Orders, Modifications, and Claims).

(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 data 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

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whatever cost data 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):

(A) When the contracting officer is relying on data obtained from sources other than the offeror, the contracting officer must obtain and document sufficient data 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, “data other than certified 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 data 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 “data other than certified cost or pricing data” from the offeror because there is not sufficient data from other sources to determine if prices are fair and reasonable. The contracting officer must use business judgment to determine the level of data needed from the offeror, but must ensure that the data 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 data needed, once the sales data is appropriately verified. On the other hand, there may be no non-Government sales and the contracting officer may be required to obtain cost data, and should do so. The request for additional data 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 data and the forward pricing rates from DCMA, the contracting officer may be able to determine price reasonableness.

(c) *Cost analysis.*

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

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(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 data 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 Data 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 certified cost or pricing data threshold;

(B) Cost-type proposals exceeding the certified 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.

(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).

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(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.

(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

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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 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 certified cost or pricing data on the subcontracts show the amounts to be reasonable and realistic; or

(B) If certified 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.

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(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

(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 data 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 data, for example—

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(A) Contract administration offices could obtain the data 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 data through a solicitation provision.

PGI 215.404-76 Reporting profit and fee statistics.

(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 certified 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 certified 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

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Washington, DC 20301-3060

Or via email to: osd.pentagon.ousd-atl.mbx.cpic@mail.mil

- (6) In preparing and sending the quarterly report, designated offices—
- (i) Perform the necessary audits to ensure data 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 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

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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 used to develop such estimates when developing the cost analyses and targets described in paragraph (c)(i) of this subsection.

(d) See Frequently asked "Questions and Answers" at http://www.acq.osd.mil/dpap/cpic/cp/sec_808_NDAA.html relating to the limitations placed on the Department of Defense for aggregate annual amounts available for contracted services in accordance with section 808 of the National Defense Authorization Act for Fiscal year 2012, P.L. 112-81 and DFARS Class Deviation 2012-O0012, Limitation on Amounts Available for Contracted Services, dated July 31, 2012.

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) Shall address significant deviations from the prenegotiation profit objective;

(B) Should include the DD Form 1547, Record of Weighted Guidelines Application (see DFARS [215.404-70](#)), if used, with supporting rationale;

(C) Shall address the rationale for not using the weighted guidelines method

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when its use would otherwise be required by DFARS [215.404-70](#); and

(D) Shall be marked “FOR OFFICIAL USE ONLY”, as appropriate and in accordance with [DoD Manual 5200.01](#), Volume 4.

(11) The contracting officer is responsible to ensure the approved pre- and postnegotiation sole source business clearance documents (e.g., price negotiation memoranda) are uploaded into the Contract Business Analysis Repository (CBAR) at <http://www.dcmamail.com/DCMAIT/cbt/CBAR/index.cfm> for the purpose of sharing negotiation experience with other contracting officers preparing to negotiate. This includes both sole source actions using the procedures at FAR part 12, Acquisition of Commercial Items, as well as actions using the procedures at FAR part 15, Contracting by Negotiation, that are valued in excess of \$25 million and awarded on or after June 24, 2013 (and for all definitized or awarded actions over \$100 million which occurred on or after October 1, 2012).

(A) Business clearance documents uploaded to CBAR shall be marked "FOR OFFICIAL USE ONLY (FOUO)" at the top and bottom of the face or cover page, and on the bottom of each page containing FOUO, including the back page or cover.

(B) The business clearance documents uploaded to CBAR shall be signed by the contracting officer and shall include all other signatures required by local policy/procedure.

(C) The documentation shall be uploaded to CBAR no later than 30 days after award of the contract action associated with the negotiation and shall include both the prenegotiation objectives required by FAR 15.406-1 and [PGI 215.406-1](#), and the record of negotiations (i.e. the Price Negotiation Memoranda required by FAR 15.406-3 and [PGI 215.406-3](#)). The contracting officer shall complete the “description of acquisition” field with keywords and searchable terms to identify the products and services acquired. Additionally, the contracting officer shall complete the “comments” field of the CBAR record to summarize unique features and aspects of the negotiation in order to prompt other contracting teams to inquire further to learn from their peers’ prior experience.

(D) If an initial indefinite-delivery indefinite-quantity (IDIQ) task or delivery order contract contemplates issuance of task or delivery orders that will invoke negotiated rates or values from the basic contract, then the business clearance record for the basic IDIQ contract shall be uploaded if the estimated value of the contract (e.g. ceiling price) exceeds the prescribed dollar threshold. To the extent individual task or delivery orders entail a negotiation (i.e. did not simply incorporate prices established at the basic contract level), a business clearance record for the individual task or delivery orders that exceed the prescribed dollar thresholds shall be uploaded to CBAR.

(E) For additional information about obtaining access to and training for the CBAR database, see the Director, Defense Contract Management Agency memorandum, dated April 2, 2013. [Click here](#).

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—

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- (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.
- (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;

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(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.dcma.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;
- (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.

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(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 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;

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- (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.

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PGI 232—Contract Financing

(Revised September 30, 2015)

PGI 232.6--CONTRACT DEBTS

PGI 232.603 Debt determination.

Upon transfer of a case to the contract financing office, the contracting officer shall close the debt record by reference to the date of transfer.

PGI 232.604 Demand for payment.

(1) For contract debts resulting from other than a termination for default, the office that first determines an amount due, whether it be the contract administration office, the contracting office, the disbursing office, or the selling office/agency, shall—

- (i) Make a demand for payment; and
- (ii) Provide a copy of the demand to the payment office cited in the contract.

(2) For contract debts resulting from a termination for default, the contracting officer shall make the demand and direct the debtor to make such payment to the designated office.

(3) The contracting office shall forward deferment requests to the Director of Defense Procurement and Acquisition Policy for a decision on granting the deferment.

PGI 232.670 Transfer of responsibility for debt collection.

Disbursing officers will transfer responsibility for debt collection to department/agency contract financing offices in accordance with comptroller regulations. Notwithstanding the transfer of the debt collection responsibility, contracting officers shall continue to provide assistance as requested by the debt collection office.

PGI 232.671 Bankruptcy reporting.

(1) For those debts covered by this subpart, the department or agency that awarded the contract shall furnish the Department of Justice any claims in bankruptcy, insolvency, or in proceedings for reorganization or arrangement. Furnish claims that—

- (i) Have been transferred to a contract financing office;
- (ii) Are on the way to a contract financing office at the inception of bankruptcy or insolvency proceedings;

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(iii) Are pending and not forwarded to a contract financing office at the inception of bankruptcy or insolvency proceedings; and

(iv) Are the result of bankruptcy or insolvency proceedings.

(2) The contract financing office or other office designated within a department or agency will furnish proof of claims to the Department of Justice.

(3) The office of origin of a debt will provide, as soon as possible, information on a bankruptcy, insolvency, reorganization, or rearrangement to the office designated within a department/agency to receive this information.

(4) The information and proof of claim requirements in paragraphs (2) and (3) of this section do not apply to debts of less than \$600.