

**Supporting Statement**  
**OMB No. 0704-0232**

**DFARS Subpart 215.4 - Contract Pricing**

**A. Justification**

**1. Requirement.** This request for revision of an information collection covers the following requirements in Subpart 215.4 of the Defense Federal Acquisition Regulation Supplement (DFARS):

a. Facilities capital employed. DFARS 215.404-71-4, Facilities capital employed (Tab A), requires the contracting officer to estimate the facilities capital cost of money and capital employed using DD Form 1861, Contract Facilities Capital Cost of Money (CFCCM). Contractors normally complete the DD Form 1861 and provide it to contracting officers as part of the contractor's cost or pricing proposal during the negotiation of contracts for supplies and services. (This information collection is presently approved under OMB No. 0704-0267, but is included in this request due to the relocation of the DFARS text from Part 230 to Subpart 215.4.)

b. Cost estimating systems. DFARS 215.407-5, Estimating systems (Tab B), and the clause at 252.215-7002, Cost Estimating System Requirements (Tab C), require that certain large business contractors-

- Establish an adequate estimating system and disclose such estimating system to the Administrative Contracting Officer (ACO) in writing.
- Maintain the estimating system and disclose significant changes to the cost estimating system to the ACO on a timely basis.
- Respond in writing to written reports from the Government that identify deficiencies in the contractor's estimating system.

**2. Purpose.**

a. Facilities capital employed. It is DoD policy to encourage contractor investment in facilities, which may lead to increased productivity and reduced costs under DoD contracts through the use of modern manufacturing technology. To motivate

aggressive capital investment, DoD rewards contractors by recognizing CFCCM and facilities capital employed when establishing the price of certain negotiated defense contracts, when such contracts are priced on the basis of cost analysis.

The contracting officer uses DD Form 1861 to record and compute the contract facilities capital cost of money and capital employed, which is carried forward to DD Form 1547 for the purpose of developing a prenegotiation profit or fee objective on defense contracts whenever a structured approach to profit analysis is required by DFARS 215.404-4(b). The DD Form 1861 enables the contracting officer to differentiate profit objectives for various types of assets--land, buildings, and equipment. The DD Form 1861 provides a means of linking the Form CASB-CMF, Facilities Capital Cost of Money Factors Computation, and DD Form 1547, Record of Weighted Guidelines Application.

b. Cost estimating systems. The information regarding contractor cost estimating systems is used to determine if the contractor has an adequate system for generating cost estimates which forecasts costs based on appropriate source information that is available at the time, and to monitor the correction of deficiencies.

**3. Information technology.** A fillable electronic version of DD Form 1861 is available; no Public Key Infrastructure (PKI) is anticipated because a signature is not required. Information technology will be used to the maximum extent practicable to reduce burden. Where both the Government agency and contractors are capable of electronic interchange, contractors may submit this information collection requirement electronically. This information collection complies with the Government Paperwork Elimination Act, Pub. L. 105-277, Title XVII.

**4. Duplication.** As a matter of policy, DoD reviews the DFARS to eliminate unnecessary duplication. This request for information applies solely to DoD and does not duplicate any other requirement. Similar information is not already available to the Government.

**5. Small business.** The burden applied to small businesses is the minimum consistent with applicable laws, Executive Orders, regulations and prudent business practices.

**6. Consequences for noncollection.** Failure to collect the required information could significantly hinder the negotiation of defense contracts for supplies and services and/or impede

contracting officers from performing their administrative functions regarding contractor cost estimating systems in an effective and efficient manner.

**7. Special circumstances.** Collection of the information does not require any of the special circumstances cited at 5 CFR 1320.5(d) (2).

**8. Public comments and consultation.** Public comments were solicited in the Federal Register (72 FR 2663) dated January 22, 2007. The comment closing date was March 23, 2007. No comments were received.

**9. Payment to respondents.** No payment or gift will be provided to respondents, other than remuneration of contractors under their contracts.

**10. Confidentiality.** This information is disclosed only to the extent consistent with prudent business practices, current regulations, and statutory requirements.

**11. Sensitive questions.** No sensitive questions are involved.

**12. Estimate of public burden.**

**a. Facilities capital employed.**

	<b>Total</b>
Number of respondents Note (1)	10,000
Responses per respondent	5.33
Total responses (2)	53,327
Hours per response (1)	10
Total response hours	533,270
Recordkeeping burden (3)	0
Total hours - annual public burden	533,270
Cost per hour (4)	\$32.26
Total cost, annual public burden	\$17,203,290

**Notes:**

(1) A DD Form 1861 is normally completed for each proposal for a contract for supplies or services that is priced and negotiated on the basis of cost analysis. However, no historical data is available as to the number of respondents submitting DD Forms 1861 to contracting officers, or the time required to complete the form. Therefore, the estimated numbers of respondents and hours per response were developed by DoD subject matter experts.

(2) The number of total responses was obtained using data from the report of Defense Prime Contract Awards by Size and Type of Contract for FY 2005 (the most current year available) as provided by the DoD Statistical Information Analysis Division, Defense Manpower Data Center.

(3) Recordkeeping burden is estimated at zero hours per action. The information necessary to complete the DD Form 1861 will be generated from data already contained in the contractor's recordkeeping and accounting systems.

(4) Based on GS-09, step 5 salary (\$43,267) for calendar year 2006, plus 17.5 percent locality pay and 32.45 percent burden (\$16,497), equals \$67,336 divided by 2,087 hours.

b. Cost estimating system.

	<b>Initial</b>	<b>Change</b>	<b>Defic.</b>	<b>Total</b>
Number of respondents (Note 1)	1	300	300	300
Responses per respondent (2)	1	.33	.10	.44
Annual responses	1	100	30	131
Hours per response (3)	10	40	40	39.77
Total hours	10	4,000	1,200	5,210
Cost per hour (4)				\$46.79
Total cost, annual public burden burden				\$243,776

Notes:

(1) We estimate a fairly stable population of approximately 300 respondents, with not more than one new respondent per year providing an initial response.

(2) We further estimate that of the 300 respondents, 30 percent may submit a change in a particular year, and 3 percent may submit an additional change within the year. We estimate that approximately 10 percent of the respondents will be cited for a deficiency in a year.

(3) The estimated 10 hours per initial submission response and 40 hours per change or deficiency response have remained unchanged from the previous submission.

(4) Based on GS-12, step 5 salary (\$62,740) for calendar year 2006 plus 17.5% locality pay and 32.45 percent burden (\$23,922), equals \$97,642 divided by 2,087 hours.

c. Total annual public burden.

	<b>Total</b>
A. Number of respondents	10,300
B. Responses per respondent (C/A)	5.19
C. Total responses	53,458
D. Hours per response (E/C)	10.07
E. Total response hours	538,480
F. Cost per hour (G/E)	\$32.40
G. Total cost, annual public burden	\$17,447,066

**13. Estimated nonrecurring costs.** We estimate that there are no nonrecurring costs, i.e., capital and start-up, or operation and maintenance costs.

**14. Estimated cost to Government.**

	<b>Total</b>
Total responses - Note (1)	53,458
Hours per response - Note (2)	1.19
Total response hours	63,807
Cost per hour - Note (3)	\$32.26
Total annual cost to Government	\$2,058,414

Notes:

(1) See Line C for Item 12.c, Total annual public burden, above.

(2) The estimated hours per action is based on the time required for the Government to receive, review, and analyze the information submitted by the contractor for facilities capital employed (DFARS 215.404-71-4) (estimated at 1 hour per response), and cost estimating systems (DFARS 215.407-5) (estimated at 80 hours per response).

(3) See Note (4) for Item 12.a, Estimate of public burden, above.

**15. Program changes.** The changes in items 12 and 14, above, are primarily due to using more current contract and cost per hour data. Also, information requirements previously approved under OMB Control Number 0704-0267 are included in this request due to the relocation of the DFARS text from Part 230 to Subpart 215.4.

**16. Publication.** Results of this collection will not be published.

**17. Expiration date.** We do not seek approval to not display the expiration dates for OMB approval of the information collection.

**18. Certification.** There are no exceptions to the certification accompanying this Paperwork Reduction Act submission. Although the information collection requirement does not reduce the burden on small entities, the information is the minimum needed by contracting officers in order to reward contractors when establishing the price of certain negotiated defense contracts by recognizing their capital investment in facilities.

**B. Collections of Information Employing Statistical Methods**

Statistical methods are not used in this information collection.