

**OMB Case 0704-0250**  
**SUPPORTING STATEMENT**

A. Justification

1. Need for the Information Collection. This is a request for Revision of OMB Control Number 0704-0250, that expires on March 31, 2013. DoD proposes that OMB extend its approval for use through March 31, 2016, with the changes noted in the following paragraphs. The information collection includes the requirements relating to DFARS part 242, Contract Administration, and related clauses and forms. This renewal also includes the requirements for DFARS 247.207 and the related clause at 252.247-7028.

a. DFARS 242.11, Production Surveillance and Reporting, requires the cognizant contract administration office to monitor contract progress and identify potential contract delinquencies in accordance with the production surveillance plan. Per DFARS 242.1104, the cognizant contract administration office performs production surveillance on all contractors that have Criticality Designator A or B contracts, and does not perform surveillance for Criticality Designator C contracts, unless specifically requested by the contracting officer. Contractors are required to support the oversight. FAR 42.1106(a) allows contracting officers to require contractors to submit production progress reports, but specifies that reporting requirements shall be limited to essential information and shall take the maximum advantage of data output generated by contractor management systems. DFARS 242.1107 specifies the information to be requested in the contract schedule in conjunction with FAR 52.242-2, Production Progress Reports.

b. DFARS 242.73 describes the requirements for conducting a Contractor Insurance/Pension review (CIPR). This information collection requirement for 10,000 hours is being removed from this clearance request. The information required for the CIPR review is available for review pursuant to other clauses, which have OMB clearances, such as FAR 52.215-2, Audit and Records-Negotiation (9000-0034) and 52.216-7, Allowable Cost and Payment (9000-0069). Also, OMB has assigned Control Numbers 0348-0051 and 0348-0055 to the paperwork, recordkeeping, and forms associated with the FAR Appendix - Cost Accounting Preambles and Regulations (48 CFR Chapter 99).

c. DFARS clause 252.242-7004, Material Management and Accounting System, requires contractors to demonstrate that their material management and accounting system (MMAS) contains no significant deficiencies. DFARS 242.72 prescribes the use of the clause. The requirements of this clause apply to any contractor

with a contract exceeding the simplified acquisition threshold not for commercial items and which is not a small business, educational institution, or nonprofit organization; and when the contracts are either cost-reimbursement contracts or fixed-price contracts with progress payments made on the basis of costs incurred as the work progresses.

d. DFARS 252.247-7028, Application for U.S. Government Shipping Documentation/Instructions requires contractors to request Government Bills of Lading by submitting either a Shipment Instruction Request (SIR) via DCMA SIR eTool or DD Form 1659. DFARS 247.207 prescribes use of the clause when shipping under Bills of Lading and Domestic Route Order under FOB contracts, Export Traffic Release regardless of FOB terms, or foreign military sales shipments.

(i) OMB clearance for this requirement was previously addressed at DFARS 242.1404-2-70 and the DFARS clause 252.242-7003, Application for U.S. Government Shipping Documentation/Instructions. Since the last renewal request, DFARS 242.14 has been realigned under DFARS part 247 as discussed below. DoD published a proposed rule in the Federal Register at 77 FR 4637 on January 30, 2012, to relocate information from DFARS subpart 242.14 to DFARS part 247 to align with changes to the Federal Acquisition Regulation and to update DD Form 1659, Application for U.S. Government Shipping Documentation/Instructions, to provide for use of both commercial and Government bills of lading.

(ii) The rule made only two minor changes in terminology in the DD Form 1659 and the associated clause at DFARS 252.247-7028 (formerly DFARS 252.242-7003) in order to clarify that the DD Form 1659 can be used to request a bill of lading that inputs these shipments into the Defense Transportation System (DTS).

(iii) The requirements of DFARS 247.207 and the clause at 252.247-7028 are included in this OMB clearance renewal for this renewal cycle. However, when OMB Clearance 0704-0245 is renewed in 2014, this DFARS part 247 information collection requirements will be included in the DFARS part 247 information collection coverage for that renewal request (0704-0245).

2. Use of the Information. The information is used for the following purposes:

a. The contract administration office uses the information required by DFARS 242.1107, which supplements FAR 52.242-2, to determine contractor progress and to identify any factors that may delay performance.

b. There is no specific information collection requirement associated with DFARS subpart 242.73 and the previously included 10,000 hours are removed. The administrative contracting officer (ACO) uses the information generated by other contract clauses, which have OMB cleared information requirements, as an aid in determining the allowability of insurance/pension costs in Government contracts.

c. The DFARS clause at 252.242-7004 requires contractors to provide to the ACO, upon request, the results of internal reviews that it has conducted to ensure compliance with established MMAS policies, procedures, and operating instructions, and to disclose significant changes in its MMAS to the ACO at least 30 days prior to implementation. For any contracting officer determinations of significant deficiencies, the contractor must respond within 30 days. In addition to surveillance and oversight performed by agency functional specialists, the ACO uses self-assessment information disclosed by the contractor to determine contractor compliance with the requirements of the clause.

Within 45 days of receipt of any final determination, the contractor must either correct the significant deficiencies or submit a corrective action plan.

d. The contract administration office or the transportation officer uses the information required by DFARS 252.247-7028, in order to provide U.S. Government Bills of Lading to contractors.

3. Use of Information Technology. Improved information technology is used to the maximum extent practicable. The DD Form 1659 is available online for completion in a fillable Adobe PDF format. Reference FAR 52.253-1

4. Non-duplication. As a matter of policy, we review the Federal Acquisition Regulation to determine if adequate language already exists. The language in DFARS part 242 applies solely to DoD and is not considered duplicative of FAR part 42. Similar information is not readily available.

5. Burden on Small Business. The burden applied to small business is the minimum consistent with applicable laws, Executive orders, regulations, and prudent business practices.

6. Less Frequent Collection. The frequency of collection was reviewed by the DoD specialists who are most knowledgeable of the requirements and the need for the information. Every attempt has been made to keep the frequency of collection to a minimum without

jeopardizing the ability of the Government to assure that contractors are performing their contractual requirements. Collecting this information less frequently would impede contracting officers from performing their administrative functions in an effective and efficient manner.

7. Paperwork Reduction Act Guidelines. Collection of this information does not require any of the characteristics of collection cited at 5 CFR 1320.5(d) (2).

8. Consultation and Public Comments. Collection is consistent with the guidelines in 5 CFR 1320.6. Public comments were solicited in the Federal Register at 77 FR 74177 on December 13, 2012. One comment was received. The commenter stated that the agency had offered no explanation in the Federal Register notice of how it computed either the number of annual respondents or the number of responses per respondent. The commenter also said that the burden estimate of 1.2 hours was unrealistically low and unsubstantiated and noted that "the Agency apparently has made no effort to differentiate and analyze the number of burden hours attributable to each of these distinct information collection requirements." Finally, the commenter requested that DoD adjust or substantiate its figures. The data used for the information collection renewal request is not available from a database such as the Federal Procurement Data System (FPDS), our preferred source. However, the data in this supporting statement was obtained from the Defense Contract Management Agency (DCMA), the primary DoD agency responsible for contract administration (DFARS part 242). The 60-day Federal Register notice complied with all requirements for such notices, which means that it did not break down the individual components of the information collection requirements in DFARS part 242. However, this supporting statement will be available to the public, and the commenter will have access to determine how the summary totals were derived. There is no better data source than the Government employees who work in these areas.

9. Gifts or Payment. 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 and current regulations and statutory requirements.

11. Sensitive Questions. No sensitive questions are involved.

12. Respondent Burden, and its Labor Costs. The burden requirements were discussed with the contracting specialists who are familiar with the requirements of DFARS parts 242 and 247. Where definitive information was available, it was used. In those instances where definitive information was not available, the judgment and expertise of those specialists was relied on. Please note that all extrapolations are rounded and are not exact.

a. DFARS 242.1106 requires production surveillance and reporting based on a risk assessment. Contractors must interface with Government contract administration personnel during production surveillance and submit production progress reports when required. DCMA determined the total number of respondents affected by this surveillance to be 5,583 contractors. Data was provided by a MOCAS query for CAGE codes that had High Risk or Low Risk criticality codes; 5,410 high risk and 173 low risk. On-site surveillance is usually performed on contracts that have a high degree of visibility or are very complex. Based on their actual experience over a number of years, Defense Contract Management Agency (DCMA) specialists indicate that approximately 56,843 on-site surveillance visits a year. It takes approximately 1 hour per contract for the contractor to provide the information requested during on-site surveillance. Telephonic or mail surveillance may be performed on less critical contracts. DCMA specialists indicate that approximately 4,938 mail or telephonic surveillance "visits" are made each year (based on actual experience over a number of years). We estimate that it takes approximately .25 hours per contract for contractors to respond to telephonic or mail surveillance requests. The information that is required is information contractors maintain in the normal course of their business.

	<b>High Risk (On-site)</b>	<b>Low Risk Mail/Tele</b>	<b>Total</b>
1. Number of respondents			5,583
2. Responses per respondent			<u>11.07*</u>
3. Total annual responses	56,843	4,938	61,781
4. Hours per response	1	0.25	<u>0.94**</u>
5. Total Hours	56,843	1,234.50	58,078
6. Cost per hour			<u>\$31***</u>
7. Total annual cost to respondents			\$1,800,418

\* Based on dividing line 3 by line 1.

\*\* Based on dividing line 5 by line 3.

\*\*\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS-9 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated

March 11, 2008, rounded to the nearest dollar ( $\$22.57 \times 136.25\% = \$30.75$ , or \$31).

b. DFARS 242.73. As discussed in paragraphs 1.b. and 2.b. above, this information collection requirement is removed from this clearance request, resulting in a savings of 10,000 hours over the 2009 information collection renewal request.

c. DFARS 252.242-7004. Contractors are required to disclose and demonstrate any changes to their MMAS system and to respond to any contracting officer determinations of significant deficiencies. Of the approximately 700 contractors estimated to be required to maintain a MMAS, DCAA estimates that about one-third, or 233 contractors, will be required each year to redisclose and redemonstrate their MMAS. This is an increase over the 2009 estimate of 115 contractors; the doubling of the number of contractors is due to the impact of DoD's business systems rule, which instituted more stringent requirements for MMAS systems and contractors' ability to demonstrate compliance. We estimate that it will take a contractor approximately 425 hours (2.5 man-months)\* of effort to redisclose and redemonstrate.

1. Number of respondents	233
2. Responses per respondent	<u>1</u>
3. Total annual responses	233
4. Hours per response	<u>425*</u>
5. Total hours	99,025
6. Cost per hour	<u>\$51**</u>
7. Total annual cost to respondents	\$5,050,275

\* 2040 man-hours per year/12 months x 2.5 man-months = 425 hours.

\*\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS-12 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated March 11, 2008, rounded to the nearest dollar ( $\$37.37 \times 136.25\% = \$50.92$  or \$51).

d. DFARS 252.247-7028. The clause, at paragraph (a), requires contractors to use the DCMA SIR eTool or DD Form 1659 to request Government Bills of Lading. According to DCMA, there are approximately 90,000 contractor requests for Government Bills of Lading processed per year. Since DCMA conducts business with an average of 15,049 contractors per year, the number of responses per contractor was calculated by dividing the number of requests received by the number of contractors. It is estimated that it

takes contractors approximately 0.5 hours to complete and transmit the form by electronic media.

1. Number of respondents	15,049
2. Responses per respondent	<u>5.98*</u>
3. Total annual responses	90,000
4. Hours per response	<u>0.5</u>
5. Total hours	45,000
6. Cost per hour	<u>\$51**</u>
7. Total annual cost to respondents	\$2,295,000

\* Based on dividing line 3 by line 1.

\*\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS12 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated March 11, 2008 ( $\$37.37 \times 136.25\% = \$50.92$  or \$51).

e. Estimated annual total burden to the public.

1. Number of respondents	20,865
2. Responses per respondent	<u>7.29*</u>
3. Total annual responses	152,014
4. Hours per response	<u>1.33**</u>
5. Total hours	202,103
6. Cost per hour	<u>\$45.25***</u>
7. Total annual cost to public	\$9,145,693

\* Based on dividing 3 by 1.

\*\* Based on dividing 5 by 3.

\*\*\* Based on dividing 7 by 5.

13. Respondent Costs Other Than Burden Hour Costs. There are no start-up costs or operation and maintenance costs associated with the information collection requirements as the reporting can be accomplished using office business systems.

14. Estimated Annual Cost to the Government. The time required for Government review is based on receiving, reviewing, and analyzing the information submitted by the contractor.

a. DFARS 242.1106(b) (i). According to production surveillance specialists at DCMA, there are approximately 56,843 contracts per year that require on-site production surveillance. On-site surveillance includes visual observation, review of contractors' manufacturing and scheduling records, and meetings as necessary, with contractor personnel. Some surveillance is more extensive than others, depending on the program and the criticality of the item involved. We estimate that it takes

approximately 1 hour per contract to perform on-site surveillance. In addition, DCMA indicates that there are approximately 4,938 contracts per year that require minimal surveillance, which can usually be performed by mail or by telephone. We estimate that it takes, on average, about 15 minutes, or 0.25 hours, per contract to perform mail or telephonic surveillance.

	<u>On-site</u>	<u>Mail/Tele</u>	<u>Total</u>
A. Total annual responses	56,843	4,938	61,781
B. Hours per response	1	0.25	<u>0.94*</u>
C. Total annual hours	56,843	1234.50	58,078
D. Cost per hour			<u>\$31**</u>
E. Total Cost			\$1,800,418

\* Based on dividing line C by line A.

\*\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS-9 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated March 11, 2008, rounded to the nearest dollar ( $\$22.57 \times 136.25\% = \$30.75$ , or  $\$31$ ).

b. DFARS 242.73. As discussed in paragraphs 1.b. and 2.b. above, this requirement is duplicative and is being removed, resulting in a savings in Government time of 14,000 hours.

c. DFARS 252.242-7004. It is estimated that it will take approximately 33,750 hours to evaluate and validate the 233 contractor MMAS systems.

A. Total annual responses	233
B. Hours per response	<u>425</u>
C. Total annual hours	99,025
D. Cost per hour	<u>\$37*</u>
E. Total Cost	\$3,663,925

\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS-11 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated March 11, 2008, rounded to the nearest dollar ( $\$27.31 \times 136.25\% = \$37.21$ , or  $\$37$ ).

d. DFARS 252.247-7028. According to the DCMA transportation specialists, contractors process approximately 90,000 SIRs or DD Forms 1659 per year. It takes the Government approximately 2 hour to review and fulfill the request.

A. Total annual responses	90,000
B. Hours per response	<u>2</u>



C. Total annual hours	180,000
D. Cost per hour	<u>\$51*</u>
E. Total Cost	\$9,180,000

\* Based on mid-point (step 5) of General Schedule (GS) Pay for a GS12 salary for 2012 plus 36.25% Civilian Position Full Fringe Benefit Cost Factor for 2012 per OMB Memo M-08-13 dated March 11, 2008 (\$37.31 X 136.25% = \$50.92, or \$51).

e. Estimated total annual cost to the Government.

A. Total annual responses	152,014
B. Total annual hours	337,103
C. Cost per hour	\$43.44*
D. Total annual Government cost	\$14,644,343

\*Based on dividing D by B.

15. Reasons for Change in Burden. This is a request for revision of a currently approved collection. Changes are primarily due to the deletion of 10,000 hours for the Contractor Insurance/Pension review (see paragraph 1.b); the use of higher numbers of contracts but lower review times, obtained from the Defense Contract Management Agency, for production surveillance (see paragraph 12.a); and an approximate doubling of the number of contractor MMAS systems requiring redemonstration annually due to the more stringent requirements of DoD's business systems rule (see paragraph 12.c). The result is an overall decrease in the number of contractor hours required annually of 74,670 (see below).

<u>Subject</u>	<u>2009</u>	<u>2012</u>
Production surveillance	195,938	58,078
Bills of lading	21,040	45,000
Insurance/Pension Review	10,000	--0--
MMAS	<u>49,795</u>	<u>99,025</u>
Total hours	276,773	202,103
2012 hours saved		(74,670)

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

17. Non-Display of OMB Expiration Date. We do not seek approval to not display the expiration dates for OMB approval of the information collection.

18. Exceptions to Certification for Paperwork Reduction Submissions. There are no exceptions to the certification accompanying this Paperwork Reduction Act submission.

B. Collections of Information Employing Statistical Methods. Statistical methods will not be employed.