

**SUPPORTING STATEMENT
FOR INFORMATION COLLECTION SUBMISSION
9000-0074, CONTRACT FUNDING LIMITATION OF COSTS/FUNDS**

1. Administrative requirements. Firms performing under Federal cost-reimbursement contracts are required to notify the contracting officer in writing whenever they have reason to believe that—

(a) The costs the contractors expect to incur under the contracts in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of the estimated cost of the contracts; or

(b) The total cost for the performance of the contracts will be greater or substantially less than estimated.

As a part of the notification, the contractor must provide a revised estimate of total cost. In order to comply with FAR 52.232-20 and 52.232-22, the contractor must: (a) monitor and predict prospective costs under the contract, (b) analyze whether those costs will cause the total cost of the contract to exceed a defined threshold, (c) predict the total cost of performance over the life of the contract, and (d) notify the contracting officer. The accounting, analysis, and prediction functions are part of the contractor's business process. The only additional burden (unique to Government contracting) is that of notifying the contracting officer; this entails issuance and conveyance of the letter.

2. Uses of information. The information is used to avoid cost overruns and to ensure that funding is available to complete work under Federal contracts.

3. Consideration of information technology. We use improved information technology to the maximum extent practicable. Where both the Government agency and contractors are capable of electronic interchange, the contractors may submit this information collection requirement electronically.

4. Efforts to identify duplication. This requirement is being issued under the Federal Acquisition Regulation (FAR) which has been developed to standardize Federal procurement practices and eliminate unnecessary duplication. There are no other sources for this information.

5. If the collection of information impacts small businesses or other entities, describe methods used to minimize burden. The burden applied to small businesses is the minimum consistent with applicable laws, Executive orders, regulations, and prudent business practices.

6. Describe consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently. The information is necessary to avoid cost overruns and to assure that money is available to complete work under Federal contracts.

7. Special circumstances for collection. Collection is consistent with guidelines in 5 CFR 1320.6.

8. Efforts to consult with person outside the agency. A 60-day notice was published in the *Federal Register* at 81 FR 21873 on April 13, 2016. No comments were received. A 30-day notice was published in the *Federal Register* at 81 FR 48423 on July 25, 2016.

9. Explanation of any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees. Not applicable.

10. Describe assurance of confidentiality provided to respondents. This information is disclosed only to the extent consistent with prudent business practices and current regulations.

11. Additional justification for questions of a sensitive nature. No sensitive questions are involved.

12 & 13. Estimated total annual public hours and cost burden. Time required to read and prepare information is estimated at 20 minutes per completion.

Estimated respondents/yr	123,392
Responses annually.....	<u>x 1</u>
Total annual responses.....	123,392
Estimated hrs/response.....	<u>x 0.33</u>
Estimated total burden/hrs.....	40,719
Average wages/hr.....	<u>x \$57</u>
Estimated cost to public.....	\$2,321,004

The estimated cost per response is approximately \$28.81.

14. Estimated cost to the Government. Time required for Governmentwide review is estimated at 30 minutes per response.

Annual Reporting Burden and Cost

Total annual responses.....	123,392
Review time per response.....	x <u>0.5</u>
Total burden hours.....	61,696
Average wages/hr. with benefits & overhead.....	x <u>\$57</u>
Total Government cost	\$3,516,672

15. Explain reasons for program changes or adjustments reported in Item 13 or 14. The number of affected contracts was changed, based on contract award data from the Federal Procurement Data System (FPDS). During the three most recent years for which data were available (FY13, FY14, and FY15), the average number of covered awards involving incremental funding (and thereby, the requirement to issue Limitation of Funds letters) was estimated to be 123,392. This number includes all cost-plus-fixed-fee, cost-plus-award-fee, cost-plus-incentive-fee, and 10% of all cost-sharing contracts.

Although no public comments were received, three changes were made to the estimates published in the preliminary 60-day notice at 81 FR 21873 on April 13, 2016, for this renewal. First, the initial estimate included certain fixed-price and cost-sharing contract data (subsequently deemed not directly impacted by FAR clauses 52.232-20 and 52.232-22); those data points have been removed from the estimate for this collection. Accordingly, the number of contract actions has been reduced. Secondly, the number of responses per respondent has been reassessed at one per year in lieu of five; this is consistent with updated data based on consultation with subject matter experts within the Government. Some cost-reimbursement contracts will not invoke the notices required by the two clauses, while others might invoke one or more per year. Third, the estimated time to produce each funding letter was reduced from 1/2 hour to 1/3 hour, as office software applications continue to improve, making basic computations, word processing, and communication increasingly efficient.

16. Outline plans for published results of information collections. Results will not be tabulated or published.

17. Approval not to display expiration date. Not applicable.

18. Explanation of exception to certification statement. Not applicable.

B. Collections of Information Employing Statistical Methods. Statistical methods are not used in this information collection.