

SUPPORTING STATEMENT – PART A

OMB Control Number 0704-0232 – Defense Federal Acquisition Regulation Supplement (DFARS) Supplement 215.4, Contract Pricing, and Related Clauses at DFARS 252.215

A. JUSTIFICATION

1. Need for the Information Collection

a. This justification supports renewal of OMB Control Number 0704-0232 for the information collection required by Defense Federal Acquisition Regulation Supplement (DFARS) clause 252.215-7002, Cost Estimating System Requirements. DFARS clause 252.215-7002 includes the following information collection requirements, which are necessary to evaluate and monitor contractor cost estimating systems; however, the need for information collection decreases as contractor estimating systems improve and gain contracting officer approval:

i. Paragraph (d)(1) requires the contractor to establish an adequate estimating system, disclose such estimating systems to the ACO, in writing;

ii. Paragraph (d)(3)(ii) requires the contractor to disclose significant changes to the cost estimating system to the ACO on a timely basis;

iii. Paragraph (e)(2) requires the contractor to respond within 30 days to the contracting officer's written initial determination that identifies significant deficiencies in the contractor's estimating system; and

iv. Paragraph (f) requires the contractor to respond within 45 days to the contracting officer's final determination of significant deficiencies, and either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies.

b. This renewal does not include burden for DD Form 1861, Contract Facilities Capital Cost of Money. This form is used by Government contracting officers, when evaluating contractor's cost proposals, to estimate the facilities capital cost of money and capital employed. Therefore, the DD Form 1861 is being removed from this information collection requirement.

2. Use of the Information

DoD contracting officers use this information obtained under DFARS clause 252.215-7002 to determine if the contractor has an adequate system for generating cost estimates, which forecasts costs based on appropriate source information available at the time, and has the ability to monitor the correction of significant deficiencies. The need for information collection decreases as contractor estimating systems improve and gain contracting officer approval.

3. Use of Information Technology

Information technology is used to collect the covered information (100%). Contractor responses to initial and final determinations are submitted electronically.

4. Non-duplication

As a matter of policy, DoD reviews the DFARS to determine whether adequate language already exists. This information collection does not duplicate any other requirement.

5. Burden on Small Business

This collection has no impact on small business entities. The requirements of DFARS clause 252.215-7002 apply only if the contractor is a large business and either—

a. In the preceding fiscal year, the contractor received DoD prime contracts or subcontracts, totaling \$50 million or more for which certified cost or pricing data were required; or

b. In the preceding fiscal year, the contractor received DoD prime contracts or subcontracts, totaling \$10 million or more (but less than \$50 million) for which certified cost or pricing data were required and, the contractor was notified, in writing, by the contracting officer that paragraphs (d) and (e) of this clause apply.

6. Less Frequent Collection

If the information required by DFARS clause 252.215-7002 is not collected, then DoD contracting officers would be unable to render timely decisions on whether to approve or disapprove a contractor's estimating system.

7. Paperwork Reduction Act Guidelines

There are no special circumstances for collection. Collection of this information is consistent with the guidelines at 5 CFR 1320.5 (d) (2).

8. Consultation and Public Comments

a. This information collection is consistent with the guidelines in 5 CFR 1320.6. Public comments were solicited in the *Federal Register* on December 30, 2016 ([81 FR 96443](#)). No comments were received in response to this notice.

b. Subject matter experts at the Defense Contract Management Agency (DCMA) were consulted regarding this information collection.

c. A notice of submission to OMB for clearance of this information collection was published in the *Federal Register* on March 27, 2017 ([82 FR 15193](#)).

9. Gifts or Payment

DoD will not provide a payment or gift to respondents under this information collection requirement.

10. Confidentiality

This information is disclosed only to the extent consistent with statutory requirements, current regulations, and prudent business practices. The collection of information does not include personally identifiable information; therefore no Privacy Impact Assessment or Privacy Act System of Records Notice is required.

11. Sensitive Questions

No sensitive questions are involved in this information collection.

12. Respondent Burden and its Labor Costs

The estimated public burdens and labor costs associated with each reporting element under DFARS Clause 252.215-7002 are provided in the tables that follow along with a discussion of the burdens.

a. Paragraphs (d)(1). Subject matter experts at DCMA estimate that only 2 respondents per year will submit and initial system disclosure, which are contractors who have not previously disclosed a cost estimating system to DoD. Assuming a contractor has no existing written policies and procedures for estimating, it could take the contractor 200 hours to prepare the disclosure.

Estimation of Respondent Burden: DFARS 252.215-7002(d)(1)	
Number of respondents	2
Responses per respondent	1
Number of responses	2
Hours per response	200
Estimated hours (number of responses multiplied by hours per response)	400
Cost per hour (hourly wage) – <i>Note</i>	\$46
Annual public burden (estimated hours multiplied by cost per hour)	\$18,400

Note: The cost per hour is based on the GS-12 Step 5 hourly rate of \$33.72 (for 2016) plus the 36.25% civilian personnel full fringe benefit rate from OMB memo M-08-13. $33.72 \times 136.25 = \$45.94$ (rounded to \$46).

b. Paragraphs (d)(3)(ii). According to subject matter experts at DCMA, only a subset of

contractors that have an approved estimating system (approximately 850) would submit changes on a regular basis. Typically, this is done via changes to the Cost Accounting Standards Board (CASB) Disclosure Statement (DS), which only applies to CAS-covered contractors. Most CAS-covered contractors submit annual updates to their DS, which may or may not contain changes that impact estimating. DCMA estimates that they receive DS revisions from approximately 300 contractors a year.

Estimation of Respondent Burden: DFARS 252.215-7002(d)(3)(ii)	
Number of respondents	300
Responses per respondent	1
Number of responses	300
Hours per response	40
Estimated hours (number of responses multiplied by hours per response)	12,000
Cost per hour (hourly wage) – <i>Note</i>	\$46
Annual public burden (estimated hours multiplied by cost per hour)	\$552,000

Note: The cost per hour is based on the GS-12 Step 5 hourly rate of \$33.72 (for 2016) plus the 36.25% civilian personnel full fringe benefit rate from OMB memo M-08-13. $33.72 \times 136.25 = \$45.94$ (rounded to \$46).

c. Paragraphs (e)(ii). Contracting officer initial determinations regarding significant deficiencies of a contractor’s cost estimating system usually occur when the Defense Contract Audit Agency has identified a potential deficiency through either a full system audit or as a result of an audit of an individual proposal where deficiencies in the cost estimating system were identified. According to subject matter experts at DCMA, there are approximately 75 initial determinations issued annually and that it takes on average approximately 40 hours for a contractor to prepare a response to an initial determination.

Estimation of Respondent Burden: DFARS 252.215-7002(e)(ii)	
Number of respondents	75
Responses per respondent	1
Number of responses	75
Hours per response	40
Estimated hours (number of responses multiplied by hours per response)	3,000
Cost per hour (hourly wage) – <i>Note</i>	\$46
Annual public burden (estimated hours multiplied by cost per hour)	\$138,000

Note: The cost per hour is based on the GS-12 Step 5 hourly rate of \$33.72 (for 2016) plus the 36.25%

civilian personnel full fringe benefit rate from OMB memo M-08-13. $33.72 \times 136.25 = \$45.94$ (rounded to \$46).

d. Paragraph (f). A contractor response and written corrective action plan is only required when requested in a final determination of significant deficiencies issued by the contracting officer. According to subject matter experts at DCMA, there are approximately 50 initial determinations issued annually and that it takes on average approximately 40 hours for a contractor to prepare a response to a final determination.

Estimation of Respondent Burden: DFARS 252.215-7002(f)	
Number of respondents	50
Responses per respondent	1
Number of responses	50
Hours per response	40
Estimated hours (number of responses multiplied by hours per response)	2,000
Cost per hour (hourly wage) – <i>Note</i>	\$46
Annual public burden (estimated hours multiplied by cost per hour)	\$92,000

Note: The cost per hour is based on the GS-12 Step 5 hourly rate of \$33.72 (for 2016) plus the 36.25% civilian personnel full fringe benefit rate from OMB memo M-08-13. $33.72 \times 136.25 = \$45.94$ (rounded to \$46).

e. Total Burden for DFARS 252.211-7002. The total number of respondents for this clause is the sum of the number of respondents that submit initial system disclosures and system change disclosures in accordance with paragraphs (d)(1) and (d)(3)(ii) of the clause. Contractors that respond to contracting officer determinations in accordance with paragraphs (e) and (f) of the clause are a subset of the 302 contractors providing annual disclosures and are, therefore, excluded from the total in the table below. The totals for the number of responses and estimated hours in the table below are calculated by adding the amount estimated for each paragraph of DFARS clause 252.215-7002, as identified in the preceding tables.

Estimation of Respondent Burden: DFARS 252.215-7002 TOTAL	
Total number of respondents	302
Responses per respondent (estimated responses divided by respondents)	1.4
Total number of responses	427
Hours per response (estimated hours divided by responses)	40.7
Total estimated hours	17,400
Cost per hour (hourly wage)	\$46
Total annual public burden (estimated hours multiplied by cost per hour)	\$800,400

13. Respondent Costs Other than Burden Hour Costs

DoD does not estimate an annual costs burden apart from the hourly burden in item 12 above.

14. Estimated Cost to Government

a. Based on consultation with subject matter experts at DCMA, the time required for the Government to review the information collected from contractor is estimated as follows:

Estimation of Government Costs: DFARS 252.215-7002 Breakdown				
Summary	(d)(1)	(d)(3)(ii)	(e)(2)	(f)
Number of responses	2	300	75	50
Hours per response	200	40	200	80
Estimated hours	400	12,000	15,000	4,000
Cost per hour – <i>Note</i>	\$46	\$46	\$46	\$46
Annual Government cost	\$18,400	\$552,000	\$690,000	\$184,000

Note: The cost per hour is based on the GS-12 Step 5 hourly rate of \$33.72 (for 2016) plus the 36.25% civilian personnel full fringe benefit rate from OMB memo M-08-13. $33.72 \times 136.25 = \$45.94$ (rounded to \$46).

b. The total estimation of annual cost to the Government is estimated as follows:

Estimation of Government Costs: DFARS 252.215-7002 Total	
Total number of responses (sum of number of responses in 14.a. above)	427
Total hours per response (estimated hours divided by number of responses)	73.5
Total estimated hours (sum of estimated hours in 14.a. above)	31,400
Cost per hour	\$46
Total annual Government cost (estimated hours multiplied by cost per hour)	\$1,444,400

15. Reasons for Change in Burden

a. The burden associated with DFARS 215.404-71-4, Facilities Capital Employed, and the DD Form 1861 is removed. There is no public burden associated with DD Form 1861; the form is for internal Government use.

Change in Burden: 215.404-71-4 and DD 1861			
Summary	2013	2016	Difference
Number of respondents	10,000	0	-10,000
Annual responses	53,327	0	-53,327
Hours per response	10	0	-10
Estimated hours	533,270	0	-533,270
Public burden	\$16,398,053	-\$16,398,053	-\$16,398,053

b. The change in burden associated with DFARS 252.215-7002 is the result of using (1) data available from DCMA subject matter experts and (2) the current hourly base rate for calendar year 2016 to calculate the respondents cost per hour, as described in section 12 of this supporting statement.

Change in Burden: DFARS 252.215-7002			
Summary	2013	2016	Difference
Number of respondents	300	302	+2
Number of responses	131	427	+296
Estimated hours	5,210	17,400	+12,190
Total annual public burden	\$232,314	\$800,400	+\$568,086

c. The total change in burden associated with this OMB control number is illustrated in the following table:

Change in Burden: 0704-0232 TOTAL			
Summary	2013	2016	Difference
Total number of respondents	10,300	302	-9,998
Total annual responses	53,458	427	-53,031
Total estimated hours	538,480	17,400	-521,080
Total annual public burden	\$16,630,366	\$800,400	-\$15,829,966

16. Publication of Results

Results of this collection will not be published.

17. Non-Display of OMB Expiration date

DoD does not seek approval to not display the expiration dates for OMB approval of the information collection.

18. Exception to the “Certification for Paperwork Reduction Submissions”

There are no exceptions to the certification accompanying this Paperwork Reduction Act.