

**SUPPORTING STATEMENT  
INFORMATION COLLECTION 9000-0069  
Indirect Cost Rates, Predetermined Indirect Cost Rates, and  
Bankruptcy Notifications**

**FAR Sections Affected: 52.216-7, 52.216-15, 52.242-4, and 52.242-13**

**A. Justification.**

1. **Administrative requirements.** The Federal Acquisition Regulatory Council is in the process of combining OMB Control Numbers for the Federal Acquisition Regulation (FAR) by FAR part to the maximum practicable extent. This consolidation is expected to improve industry's ability to easily and efficiently identify all burdens associated with a given FAR part. The review of the information collections by FAR part allows improved oversight to ensure there is no redundant or unaccounted for burden placed on industry. Lastly, combining information collections in a given FAR part is also expected to reduce the administrative burden associated with processing multiple information collections.

This justification supports revision and extension of the expiration date of OMB Control No. 9000-0069 and combines it with the previously approved information collection OMB Control No. 9000-0108, with the new title "Indirect Cost Rates, Predetermined Indirect Cost Rates, and Bankruptcy Notifications". Upon approval of this consolidated information collection, OMB Control No. 9000-0108 will be discontinued. The burden requirements previously approved under the discontinued Number will be covered under OMB Control No. 9000-0069.

<b><u>OMB Control #</u></b>	<b><u>Title</u></b>	<b><u>Expiration</u></b>
9000-0069	Indirect Cost Rates	8/31/2019
9000-0108	Bankruptcy	8/31/2019

This clearance covers the information that contractors must submit to comply with the following FAR requirements:

- a. **52.216-7, Allowable Cost and Payment**, paragraph (d), requires that final annual indirect cost rates and the appropriate bases shall be established in accordance with FAR subpart 42.7. These rates are used, in part, in cost reimbursement contracts, time and materials contracts (other than for

commercial items and not for labor-hour contracts), and for certain types of fixed price contracts construction contracts. The clause requires the contractor to submit an adequate final indirect cost rate proposal to the contracting officer and the auditor within the 6-month period following the expiration of each of its fiscal years. The proposed rates shall be based on the contractor's actual cost experience for that period. This clause provides a list of the data required to be submitted. The data is customary business financial information that the contractor can access from its automated business systems.

- b. **52.216-15, Predetermined Indirect Cost Rates**, used in solicitations and contracts for a cost-reimbursement research and development contract with an educational institution and addresses how the allowable indirect costs under the contract shall be obtained by applying predetermined indirect costs to bases agreed by the parties. This clause repeats the requirement in FAR 52.216-7, paragraph (d), for the contractor to submit an adequate final indirect cost rate proposal, however it does not impose any additional reporting requirements.
- c. **52.242-4, Certification of Final Indirect Costs**, requires the contractor's proposal of final indirect cost rates to be certified to establish or modify the rates used to reimburse the contractor for the costs of performing under the contract. The supporting cost data are the cost accounting information normally prepared by organizations under sound management and accounting practices. This clause is incorporated into all solicitations and contracts, except for the Department of Energy Management and Operating contracts, that provide for establishment of final indirect cost rates.
- d. **52.242-13, Bankruptcy**. This clause requires contractors to notify the contracting officer within five days after initiating the proceedings relating to bankruptcy filing.

2. **Use of Information.** For FAR 52.216-7, 52.216-15, and 52.242-4, the contracting officer and auditor use the proposal and supporting data to verify and analyze the indirect costs and to determine the final indirect cost rates or to prepare the Government negotiating position if negotiation of the rates is required under the contract terms. The contracting officer uses the notification received under FAR 52.242-13 to ensure the contractor's ability to perform its Government contract.

**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 FAR, which has been developed to standardize Federal procurement practices and eliminate unnecessary duplication.

**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.** Collection of information on a basis other than solicitation-by-solicitation or contract-by-contract is not practical.

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

**8. Efforts to consult with persons outside the agency.**

a. A 60-day notice was published in the Federal Register at 84 FR 25277, on May 31, 2019. No comments were received.

b. A 30-day notice was published in the Federal Register at 84 FR 38983 on August 8, 2019.

**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 hour and cost burden.**

**a. FAR 52.216-7, Allowable Cost and Payment, 52.216-15, Predetermined Indirect Cost Rates, and 52.242-4, Certification of Final Indirect Costs.**

DCMA provided disposition for 3,758 annual final indirect cost rate proposals in FY 2018. Estimating an addition of one half of the DCMA total to account for civilian agencies, this results in a total of approximately 5,637 proposals ( $3,758 \times 1.5 = 5,637$ ) annually.

For the estimated hours per response, the estimates were developed using an existing clearance as a benchmark for burden hours for proposals that require certified cost or pricing data. OMB Control Number 9000-0013 uses a baseline of 160 hours for a contractor to provide and certify cost and pricing data for an individual contract. Proposals for indirect cost rates may require more comprehensive data to be analyzed to provide the basis for indirect cost rates that will become the basis for future billings under certain contracts. FAR 52.216-7 provides a list of the information required, which reflects information that is readily available in a firm's accounting system; therefore, there is no separate mandated recordkeeping requirement. Contractor automated systems that track costs on a daily basis facilitate the development of the indirect cost rate proposals. As this is an annual requirement, companies have their prior data submission models that utilized customary business records to build on for their annual submissions. Therefore, extrapolating from the 160 hours projected for a unique proposal that may not leverage data mined for prior proposals, it is estimated that each final indirect cost rate proposal would take approximately 50% more time, or 240 hours to complete an indirect final cost rate proposal.

The skill set required to prepare the proposal is comparable to a journeyman GS 12 step 5 equivalent. The hourly wage rate is based on OMB Circular A-76 guidance for quantifying the cost of efforts, includes: (1) the complexity level; and (2) a 36.25% fringe and overhead burden rate mandated by OMB memorandum M-08-13 for use in public-private competition. Reference Office of Personnel Management (OPM) Salary Table 2019-RUS, Effective January 2019, found at [www.opm.gov](http://www.opm.gov) for the Rest of the United States. Application of a fringe rate of .3625 to the base rate of \$40.51 results in a burden rate of \$55.19.

For the 5,637 contractors that will submit final indirect cost rate proposals, it is estimated that approximately 40 hours per proposal are required to comprehensively review the final proposal and provide the required certification. OMB 9000-0013 includes 40 hours to certify cost or pricing data submitted with proposals. That framework also informed the decision to use 40 hours as the estimate for certifying a final indirect cost rate proposal. The skill set required is that of a senior individual comparable to a GS 14 step 5 on the OPM pay schedule cited above. The rate of \$56.92 and fringe benefits at 0.3625 result in a burden rate of \$77.55. The estimated cost per response is \$16,346.40.

Using the weighted average of both hourly rates, the estimates are as follows:

Number of respondents	5,637
Responses per respondent	1
Number of responses	5,637
Hours per response	280
Estimated hours	1,578,360
Cost per hour	\$58.38
Annual public burden	\$92,144,657

b. **52.242-13, Bankruptcy.** We used data from the American Bankruptcy Institute ([www.abiworld.org](http://www.abiworld.org)). Because of the Government's stringent contract responsibility requirements in FAR part 9, the ratio of bankruptcies among Government contractors is very low. According to the American bankruptcy Institute, business bankruptcies declined by 6.8% between 2015 and 2017 (at present, 2017 is the latest annual data available on bankruptcies). The revised estimate of 508 reflects the 6.8% decline in business bankruptcies between the two years. We used the estimated 545 respondents from the current information collection as the basis for calculating the 6.8% decrement. The estimated cost per response is \$55.19.

There is no single data collection process or system, e.g., Federal Procurement Data System (FPDS) that identifies the number of bankruptcies Governmentwide. To date, no public comments or questions have been received regarding the burden estimates

included in the currently approved clearance. The skill sets required are those of a journeyman GS 12, step 5. Paragraph 12.a. provides hourly rate details. The estimates are as follows:

Number of respondents	508
Responses per respondent	1
Number of responses	508
Hours per response	1
Estimated hours (number of responses multiplied hours per response)	508
Cost per hour (hourly wage)	\$55.19
Annual public burden (estimated hours multiplied by cost per hour)	\$28,036.52

14. **Estimated cost to the Government.** The following labor estimates are based on reviewing and analyzing the information submitted by the contractor.

**a. 52.216-7, Allowable Cost and Payment, 52.216-15, Predetermined Indirect Cost Rates, and 52.242-4, Certification of Final Indirect Costs.**

Number of responses	5,637
Hours per response (approximately)	40
Estimated hours	225,480
Cost per hour (GS12/step 5)	\$55.19
Annual public burden	\$12,444,241.20

**b. 52.242-13, Bankruptcy.** The Government receives and reviews whether the bankruptcy notification is complete.

Number of responses	508
Hours per response (approximately)	1
Estimated hours	508
Cost per hour (GS 12/step 5)	\$55.19
Annual public burden	\$28,036.52

15. **Explain reasons for program changes or adjustments reported in Item 13 or 14.** The information collection burden hour requirement for FAR clause 52.242-13 has decreased due to the reduction in business bankruptcies between the years 2015 and 2017.

The reductions in the estimated hours for the submission and certification of indirect final cost rate proposals reflect current estimates from subject matter experts. The estimate of 6,564,681 hours had remained unchanged since 2006 and included hours for FAR 52.216-13, which was subsequently removed from the FAR by final rule 2004-025. In the intervening years, since this estimate was established, contractor accounting systems and software have matured enabling more efficient collection of cost information and facilitating preparation of the final indirect cost rate proposal.

OMB Control #	2016 Burden 9000-0069	2016 Burden 9000-0108	2016 Total Burden	2019 Estimate	Change in Burden
Number of respondents	3,000	545	3,545	6,145	2,600
Total annual responses	3,000	545	3,545	6,145	2,600
Total hours	6,564,000	681	6,564,681	1,578,868	-4,985,813
Total annual cost to public	\$262,560,000	\$43,635	\$262,603,635	\$92,172,693.52	-\$170,430,941

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.