

**SUPPORTING STATEMENT
FOR INFORMATION COLLECTION SUBMISSION
9000-0071, PRICE REDETERMINATION**

A. Justification.

1. **Administrative requirements.** Federal Acquisition Regulation (FAR) subpart 16.205, Fixed-price contracts with prospective price redetermination, provide a firm fixed price for an initial period of the contract, and prospective redetermination of the price, at stated times during performance, for subsequent periods of performance. Prospective price redetermination is used in negotiated contracts when it is possible to establish a firm fixed price for an initial period, but not for subsequent periods of contract performance. FAR clause 52.216-5, Price Redetermination-Prospective, is included in these solicitations and contracts and requires a contractor to submit to the Government—

- Within an agreed upon timeframe, (1) proposed prices for the upcoming contract period, (2) a statement of costs incurred for the most recent period of performance, and (3) any supporting or relevant documentation; and,
- During periods where firm prices have not been established, a quarterly statement that includes a breakdown of total contract prices, costs, and profit incurred and all invoices accepted for delivered items or services for which final prices have not been established.

FAR subpart 16.206, Fixed price contracts with retroactive price redetermination, provides for a fixed ceiling price, and retroactive price redetermination within the ceiling after completion of the contract. Retroactive price redetermination is used in research and development contracts valued at \$150,000 or less when a firm fixed price cannot be negotiated and the contract amount and short performance period make the use of any other fixed-price contract type impracticable. FAR clause 52.216-6, Price Redetermination – Retroactive, is included in these solicitations and contracts and requires contractors to submit to the Government—

- Within an agreed upon timeframe after completion of the contract, (1) the proposed prices, (2) all costs incurred in performing the contract, and (3) any supporting or relevant documentation; and,
- Until final price redetermination has been completed, a quarterly statement that includes a breakdown of total contract prices, costs, and interim profit incurred and all invoices accepted for delivered items.

2. **Uses of information.** The information is used to establish fair and reasonable price adjustments to 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. It is estimated that at least 10% are submitted 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 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 person outside the agency.** A 60-day notice was published in the *Federal Register* at 84 FR 18038 on April 29, 2019. No comments were received. A 30-day notice was published in the *Federal Register* at 84 FR 37875 on August 2, 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 hours and cost burden.**

(a) *FAR clause 52.216-5, Price Redetermination-Prospective*

According to data for FY 2017 and 2018 from the Federal Procurement Data System (FPDS), the Government awards an average of 28,940 fixed price redetermination contracts and orders using negotiated procedures to approximately 24 unique entities each year. Further, FPDS data indicates that the Government issues an average of 180 modifications each year on these negotiated price redetermination contracts and orders that may be related to price redetermination.

For each of the 180 modifications, a contractor would submit documentation to the Government in accordance with the clause; therefore, each respondent submits approximately 8 responses to the Government each year (180 Modifications/24 unique entities (or respondents) = 7.5; or 8 responses per respondent – as rounded to the closest whole number). As a result, the Government estimates that 192 total responses (24 respondents X 8 responses) are submitted annually (accounting for the rounding up of the responses per respondent). The Government

estimates that it takes a respondent 8 hours to collect, format, and submit the data. The estimated cost per respondent is \$304.

Annual Public Burden and Cost

Number of respondents.....	24
Number of responses per respondent.....	<u>x 8</u>
Total responses.....	192
Preparation time per response.....	<u>x 8</u>
Total burden hours.....	1,536
Average wages*	<u>x \$38.00</u>
Estimated cost to the public.....	\$58,368

* Based on a contractor equivalent to a GS-9/Step 5 hourly rate, \$27.93 (from the OPM 2019 GS Locality Pay Tables using rates for the “Rest of U.S.,” which includes locality pay of 15.67% plus 36.25 percent overhead, or \$10.12, rounded to the nearest dollar, or \$38 an hour. The burden rate used is that mandated by OMB memorandum M-08-13 for use in public-private competitions, as updated by OMB for the current year. Reference Salary Table 2019-GS, Effective January 2019, found at www.opm.gov).

(b) FAR clause 52.216-6, Price Redetermination-Retroactive

According to data for FY 2017 and 2018 from the Federal Procurement Data System (FPDS), the Government did not award a fixed price redetermination contract or order for research and development with a value of \$150,000 or less. While this contract type may not have been used recently, the Government asserts that this contract type may be used in the future and estimates that approximately 10 retroactive fixed price redetermination contracts or orders may be issued annually to 10 unique entities, or respondents.

Due to the nature of the services and supplies, and the relatively low dollar threshold, to which this clause applies, the Government estimates that each contract or order has a period of performance of no more than one year. To comply with the requirements of the clause, a contractor will submit quarterly statements and final documentation at the completion of the contract; as such, the government estimates that each respondent will submit 4 responses to the Government annually ((3 quarters of a year X 1 quarterly statement = 3 quarterly statements submitted annually) + (fourth quarter of the contract X 1 final price documentation = 1 final price submission) = 4 responses). The Government estimates that it takes a respondent 8 hours to collect, format, and submit the data. The estimated cost per response is \$304.

Annual Public Burden and Cost

Number of respondents.....	10
Number of responses per respondent.....	<u>x 4</u>
Total responses.....	40
Preparation time per response.....	<u>x 8</u>
Total burden hours.....	320

Average wages*\$38_
 Estimated cost to the public.....\$12,160

As a result of the discussion in paragraphs (a) and (b) of this section, the total estimated burden to the public is as follows:

Total Annual Public Burden and Cost

Number of respondents.....33
 Number of responses per respondent.....x 7
 Total responses.....232
 Preparation time per response.....x 8
 Total burden hours.....1,856
 Average wages*\$38
 Total estimated cost to the Government.....\$70,528

The total responses in paragraphs (a) and (b) equal 232 total responses (192 responses for FAR clause 52.216-5 + 40 responses for FAR clause 52.216-6). As some of the respondents may be the same entity for each clause and to account for all 232 responses calculated in the discussion above, the Government estimates that 7 responses will be received from approximately 33 respondents annually (232 responses/33 respondents = 7.03; or 7 responses).

14. Estimated cost to the Government.

(a) FAR clause 52.216-5, Price Redetermination-Prospective

Time required for Governmentwide review is estimated at 2 hours per response.

Annual Reporting Burden and Cost

Total responses.....192
 Review time per response.....x 2
 Total burden hours.....384
 Average wages and overhead..... x \$38
 Estimated Cost to the Government\$14,592

* Based on a GS-9/Step 5 hourly rate, \$27.93 an hour, plus 36.25 percent overhead, rounded to the nearest dollar, or \$38 an hour. The overhead rate used is that mandated by OMB memorandum M-08-13 for use in public-private competition, as updated by OMB for the current year. Reference Salary Table 2019-GS, Effective January 2019, found at www.opm.gov.

(b) FAR clause 52.216-6, Price Redetermination-Retroactive

Time required for Governmentwide review is estimated at 2 hours per response.

Annual Reporting Burden and Cost

Total responses.....	40
Review time per response.....	<u>x 2</u>
Total burden hours.....	80
Average wages and overhead.....	<u>\$38</u>
Estimated Cost to the Government	\$3,040

As a result of the discussion in paragraphs (a) and (b) of this section, the total estimated burden to the public is as follows:

Total Annual Government Burden and Cost

Total annual responses.....	232
Review time per response.....	<u>x 2</u>
Total burden hours.....	464
Average wages and overhead.....	\$38
Estimated Cost to the Government	\$17,632

15. **Explain reasons for program changes or adjustments reported in Item 13 or 14.** This submission requests an extension of OMB approval of an information collection requirement in the Federal Acquisition Regulation (FAR). The total burden hours for both the public and the Government has decreased due to the availability of more in-depth data that better reflects when the contractor has to provide information to the Government in response to FAR clause 52.216-5 and 52.216-6; which resulted in a significant reduction in the number of respondents to the clauses.

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.