

SUPPORTING STATEMENT

OMB Control Number 0704-0359 – Defense Federal Acquisition Regulation Supplement (DFARS) Part 232, Contract Financing, and associated clauses at DFARS 252.232

A. JUSTIFICATION

1. Need for the Information Collection

This justification supports revision and extension of OMB Control Number 0704-0359. This information collection concerns Defense Federal Acquisition Regulation Supplement (DFARS) part 232, Contract Financing, and associated clauses at DFARS 252.232. A summary of these information collection requirements is provided as follows:

a. DFARS 252.232-7007, Limitation of Government’s Obligation. This clause is prescribed at DFARS 232.705-70 for use in solicitations and resultant incrementally-funded fixed-price contracts. Paragraph (c) of the clause requires a written notification from the contractor that—

i. States the estimated date when the total amount payable by the Government, including any cost for termination for convenience, will approximate 85 percent of the total amount then allotted to the contract for performance of the applicable items;

ii. States an estimate of additional funding, if any, needed to continue performance of applicable line items up to the next scheduled date for allotment of funds, or to a mutually agreed upon substitute date; and

iii. Advises the contracting officer of the estimated amount of additional funds that will be required for the timely performance of the items funded pursuant to the clause, for a subsequent period as may be specified in the allotment schedule, or otherwise agreed to by the parties.

b. DFARS subpart 232.10, Performance-Based Payments, 252.232-7012, and 252.232-2013. If a contractor desires to structure contract financing using performance-based payments, the contractor shall submit to the contracting officer a proposed performance-based payments schedule which includes all performance-based payments events, completion criteria and event values along with the expected expenditure profile. The contractor is also required to identify with each invoice: the negotiated value of all previously completed performance-based payment events, the negotiated value of the current performance-based payment events, the cumulative negotiated value of performance-based payment events completed to date, and total costs incurred to date.

2. Use of the Information

a. DFARS 252.232-7007. The Government will use this information to decide whether to allot additional funds for continued performance under the contract or to terminate the contract

for convenience. If after such notification additional funds are not allotted by the date identified in the contractor's notification, or by an agreed substitute date, the contracting officer will terminate any items for which additional funds have not been allotted, pursuant to the clause of this contract entitled "Termination for Convenience of the Government."

b. DFARS 232.10, 252.232-7012, and 252.232-2013. The contracting officer will use this information to populate the Performance-Based Payments analysis tool and negotiate the performance-based payments event schedule. The analysis tool calculates improved financing opportunities that will provide benefit to both industry (prime and subcontractor level) and the taxpayer. The analysis tool calculates improved financing opportunities that will provide benefit to both industry (prime and subcontractor level) and the taxpayer. Thwe contracting officer uses the data provided with each invoice to enables the Government to know the risk it is incurring when it makes payments that may be disproportionate to the contractor's investment in contract performance.

3. Use of Information Technology

Information technology is used to collect the information (100%). The written notification is accepted electronically via e-mail and DoD's performance-based Payment Analysis Tool is fully automated.

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

Although the information collection requirement does not reduce the burden on small entities, the information is the minimum needed by a contracting officer in order to make an informed decision as to whether to allot additional funds for continued performance or to terminate the contract for convenience. For performance based payments, contractors submit the required data to DoD's Performance Based Payments analysis tool, which is a cash-flow model used for evaluating alternative financing arrangements. Performance-based payments made to a small entity could provide a positive impact on the firm's cash flow.

6. Less Frequent Collection

a. DFARS 252.232-7007. The frequency for collecting this information under an incrementally funded fixed-price contract is dependent on when the contractor will expend, within 90 days prior to the date when, in the Contractor's judgment, the work will reach the point at which the total amount payable by the Government, including any cost for termination for convenience, will approximate 85 percent of the funds currently allotted. Less frequent collection would impede contracting officers from performing their administrative functions in an efficient and effective manner by not providing the information required for the contracting officer to make informed decisions about whether to continue with contract performance.

b. [DFARS 232.10, 252.232-7012, and 252.232-2013](#). If the information is not collected, then DoD will be unable to utilize the performance-based payments analysis tool to analyze the performance-based payment schedule and calculate improved financing opportunities.

7. Paperwork Reduction Act Guidelines

There are no special circumstances for this collection. The collection is consistent with the guidelines in 5 CFR 1320.5(d)(2)

8. Consultation and Public Comments

a. Subject matter experts within DoD were consulted regarding the revision of this information collection.

b. This information collection is consistent with the guidelines in 5 CFR 1320.6. Public comments were solicited in the *Federal Register* on March 17, 2020 ([85 FR 15143](#)). No comments were received in response to this notice.

c. A notice of submission to OMB for clearance of this information collection was published in the *Federal Register* on May 28, 2020 ([85 FR 32020](#)).

9. Gifts or Payment

DoD will not provide 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 and 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 the information collection

12. Respondent Burden and its Labor Costs

a. Historical data from previous information collection approvals, as well as estimates from the Chairman of the DARS Contract Finance Committee, were used to estimate the number of responses, the average time per response, and the equivalent GS level of the contractor personnel performing the effort for 252.232-7007.

Estimation of Respondent Burden: DFARS 252.232-7007	
Number of respondents	800
Responses per respondent	1
Number of responses	800
Hours per response	1
Estimated hours (number of responses multiplied hours per response)	800
Cost per hour (hourly wage) – <i>Note</i>	\$56.89
Annual public burden (estimated hours multiplied by cost per hour)	\$45,512

Note: The cost per hour is based on the Office of Personnel Management (OPM) General Schedule (GS) hourly rate of \$41.75 for a GS-12, step 5, employee (for calendar year 2020) plus the 36.25% civilian personnel full fringe benefit rate from Office of Management and Budget (OMB) memorandum M-08-13 (\$41.75 + \$15.14 = \$56.89).

b. The prior-approved burden for DFARS subpart 232.10 in the amount of 1000 respondents, 1000 responses, 1 hour per response for a total of 1000 hours has been removed from this clearance.

c. The estimates in the following table are based on FPDS data for FY 2018 and advice of DoD subject matter experts. DoD reviewed the number of unique entities for fiscal years 2017 through 2019 that received performance-based payments, separated into small entities and other than small entities. Upon further analysis of the data, DoD determined that FY 2018 was the most representative year for projecting the next 3 years (number of respondents in FY 2018 represents the median respondents for FY 2017 – FY 2019). In FY 2018 there were 200 respondents (62 other than small entities and 138 small entities) that received performance-based payments. The composite hourly rate of \$88.30 is based on an approximate mix of 25 percent journeyman level (GS-12 step 5), 60 percent senior level (GS 14 step 5); and 15 percent executive/attorney (SES, level 3).

Estimation of Respondent Burden: DFARS 252.232-7012 and -7013	
Number of respondents	200
Responses per respondent	65
Number of responses	13,000
Hours per response	1.2
Estimated hours (number of responses multiplied hours per response)	16,000
Cost per hour (hourly wage) – <i>Note</i>	\$88.30
Annual public burden (estimated hours multiplied by cost per hour)	\$1,412,800

Note: The cost per hour is based on the OPM GS hourly rate of \$36.12 for a GS-12, step 5, employee (for

calendar year 2020); \$50.49 for a GS-14, step 5; and an SES, level 3 rate of \$111.62 plus the 36.25% civilian personnel full fringe benefit rate from OMB memorandum M-08-13 applied to the GS 12/14 rates.

Estimation of Respondent Burden: 0704-0359	Total Rounded
Total number of respondents	1,000
Total responses per respondent	14
Total number of responses	14,000
Hours per response	1.2
Total estimated hours	16,800
Cost per hour	\$86.80
Total annual public burden	\$1,458,240

Note: The total number of respondents, total number of responses, total estimated hours, and total annual public burden are the sum of the estimates for the individual burdens. The cost per hours is the total annual public burden divided by the total estimated hours.

13. Respondent Costs Other than Burden Hour Costs

DoD does not estimate any annual cost burden part from the hourly burden in item 12 above.

14. Cost to the Federal Government

a. It is estimated that it will take the Government one hour to review and verify the information contained in each response. This estimate was developed by Chairman of the DARS Contract Finance Committee.

Estimation of Cost to the Government: DFARS 252.232-7007	
Number of responses	800
Hours per response	1
Estimated hours	800
Cost per hour (hourly wage) – Note	\$56.89
Annual public burden (estimated hours multiplied by cost per hour)	\$45,512

Note: The cost per hour is based on the OPM GS hourly rate of \$36.12 for a GS-12, step 5, employee (for calendar year 2020) plus the 36.25% civilian personnel full fringe benefit rate from OMB memorandum M-08-13 (\$41.75 + \$15.14 = \$56.89).

Estimation of Cost to the Government: DFARS 232.10, 252.232-7012 and -7013	
Number of responses	13,000
Hours per response	1.85
Estimated hours (number of responses multiplied hours per response)	7,000
Cost per hour (hourly wage)	\$88.30
Annual public burden (estimated hours multiplied by cost per hour)	\$618,100

15. Reasons for Change in Burden

This justification supports renewal of the information collection requirements previously approved under OMB Control Number 0704-0359. There is no change to the respondent reporting burdens associated with information collection requirements previously approved for 252.232-7007. The increase in responses and burden hours is due primarily to—

- Increase in the estimated response hours from 1 to 10 hours to propose a performance-based payments schedule, which includes all performance-based payments events, completion criteria and event values along with the expected expenditure profile (increase of 9,000 hours); and
- Inclusion of monthly responses providing the information required by 252.232-7012 and -7013, which results in an increase of 12,000 responses and 6,000 hours.

Change in Burden: 0704-0359 TOTAL			
Summary	2017	2020	Difference
Total number of respondents	1,800	1,000	-800
Total annual responses	1,800	14,000	+12,200
Total estimated hours	1,800	16,800	+15,000
Total annual public burden	\$90,000	\$1,458,240	+\$1,368,240

16. Publication of Results

Results of this collection will not be published.

17. Non-Display of OMB Expiration Date

We do not seek approval not to display the expiration date for OMB approval of this information collection.

18. Exceptions to “Certification for Paperwork Reduction Submissions”

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