

## SUPPORTING STATEMENT – PART A

### OMB Control No. 0750-0XXX – Defense Federal Acquisition Regulation Supplement (DFARS) Part 237 and Associated Clauses 252.237-7025 and 252.237-7026

#### 1. Need for the Information Collection

This supporting statement justifies the information collection requirements for one DFARS solicitation provision and one DFARS contract clause. This information collection is required to implement section 1006 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019 (Pub. L. 115-232), as amended by section 1011 of the NDAA for FY 2020 (Pub. L. 116-92). Section 1006 applies to accounting firms that provide financial statement auditing to DoD in support of the audit under 31 U.S.C. 3521 or audit remediation services in support of the Financial Improvement and Audit Remediation Plan described in 10 U.S.C. 240b. Such firms, when responding to a solicitation or awarded a contract for the acquisition of covered services, must disclose to DoD before any contract action (including award, renewals, and amendments) the details of any disciplinary proceedings with respect to the account firm or its associated persons before any entity with the authority to enforce compliance with rules or laws applying to audit services offered by the accounting firm. DoD, as a matter of policy to provide a level playing field between firms that provide audit services to support certain DoD audits, is extending this requirement to firms other than accounting firms that provide such services. Section 1011 amended section 1006 to require disclosures to be treated as confidential to the extent required by the court or agency in which the proceeding occurred and to be treated in a manner consistent with any protections or privileges established by any other provision of Federal law.

a. DFARS provision 252.237-7025, Preaward Transparency Requirements for Firms Offering to Support Department of Defense Audits—Representation and Disclosure, as prescribed at DFARS 237.270(e)(3), for use in solicitations for the acquisition of financial statement auditing or audit remediation services. This provision requires offerors to disclose to DoD, before contract award, the details of any disciplinary proceedings with respect to the accounting firm or its associated persons before any entity with the authority to enforce compliance with rules or laws applying to audit services offered by the accounting firm.

b. DFARS clause 252.237-7026, Postaward Transparency Requirements for Firms that Support Department of Defense Audits, as prescribed at DFARS 237.270(e)(4), for use in solicitations and contracts for the acquisition of financial statement auditing or audit remediation services. This clause requires contractors to disclose to DoD, before any postaward contract action (e.g., renewals or modifications) the details of any disciplinary proceedings with respect to the accounting firm or its associated persons before any entity with the authority to enforce compliance with rules or laws applying to audit services offered by the accounting firm.

#### 2. Use of the Information

The information collected under this clearance is used as follows:

a. DFARS 252.237-7025 – The contracting officer evaluates the information provided by the

offeror prior to contract award.

b. DFARS 252.237-7026 – The contracting officer evaluates the information provided by the contractor throughout contract performance, prior to renewal or modification of a contract.

### 3. Use of Information Technology

Information technology is used to the maximum extent possible. Where both the Government and the offeror or contractor is capable of electronic interchange, the information collection requirements may be submitted electronically, and the usage of information technology is 100 percent.

### 4. Non-duplication

As a matter of policy, DoD reviews the Federal Acquisition Regulation (FAR) and DFARS to eliminate unnecessary duplication. This request for information applies solely to DoD and does not duplicate any other requirement in the FAR. Similar information is not readily available from any other source.

### 5. Burden on Small Businesses

The burden applied to small businesses is the minimum consistent with applicable laws, executive orders, regulations, and prudent business practices.

### 6. Less Frequent Collection

If the information is collected less frequently, then the contracting officer may not have information that is needed to make decisions with regard to contract award, renewal, or modification.

### 7. Paperwork Reduction Act Guidelines

This collection of information does not require collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.5(d)(2).

### 8. Consultation and Public Comments

#### a. Public Notice

i. A 60-day notice for the collection was published in the *Federal Register* on October 29, 2021, at [86 FR 59947](#). No comments were received during the 60-day comment period.

ii. A 30-day notice for the collection was published in the *Federal Register* on **xxx xx**, 2022 at 87 FR **xxxx**.

#### b. Consultation

The availability of requested information, frequency of collection, and other aspects of the information collection addressed in this supporting statement were discussed with subject matter experts, including the comptroller and the DoD Inspector General.

#### 9. Gifts or Payment

No payments or gift will be provided to respondents as an incentive to participate in the collection, other than remuneration of contractors under their contracts.

#### 10. Confidentiality

This information is disclosed only to the extent consistent with prudent business practices, current regulations, and statutory requirements. No assurance of confidentiality is provided to respondents. A Privacy Act Statement is not required for this collection, because DoD is not requesting individuals to furnish personal information for a system of records. A System of Record Notice (SORN) is not required for this collection because records are not retrievable by personally identifiable information (PII). A Privacy Impact Assessment (PIA) is not required for this collection because PII is not being collected electronically.

#### 11. Sensitive Questions

No sensitive questions are involved in this collection.

#### 12. Respondent Burden and Labor Costs

252.237-7025, Preaward Transparency Requirements for Firms Offering to Support Department of Defense Audit—Representation and Disclosure, and 252.237-7026, Postaward Transparency Requirements for Firms that Support Department of Defense Audit: According to representatives from the Defense Finance and Accounting Service (DFAS), which contracts for about half of the contracts covered by this regulation, the Product Service Codes (PSCs) that may be used for audit support include R703 (Support-Management: Accounting), R704 (Support-Management: Auditing), and R709 (Ongoing Audit Operations Support Services). Review of data from the Federal Procurement Data System (FPDS) obtained for fiscal year (FY) 2015 through FY 2019 reveals that FY 2015 represents the median number of awards in these PSCs that are valued above \$250,000. In FY 2015 there were 30 awards to 13 unique other than small entities and 19 awards to 17 small entities. However, not all of these awards are for contracts that meet the criteria of this regulation. This requirement applies only to solicitations and contracts for—

(i) Financial statement auditing required under 31 U.S.C. 3521(e); or

(ii) Audit remediation services in support of the Financial Improvement and Audit Remediation Plan described in 10 U.S.C. 240b.

According to DFAS, of the 32 active contracts that they have in these PSCs, only about half are covered by this regulation, of which 12 are awarded to entities that are other than small businesses and 3 are awarded to one unique small entity. Estimating the same number of applicable awards by entities other than DFAS, and the same 3:1 ratio of total awards to unique

entities for this type of contract results in an estimate of 24 awards to approximately 8 large businesses and 6 awards to 2 small entities. DoD estimates that 12 respondents (2 of which do not receive any award) each submit 5 offers for a total of 60 responses to 30 solicitations, of which only one respondent (assumed to receive an award) will have a disciplinary proceeding to report. After award, 10 respondents that received awards submit an average of 36 responses per year. For the respondents that do not have a disciplinary proceeding to report, the responses to both the solicitation and after contract award are estimated to average 0.05 hour per response. For the respondent that has a disciplinary proceeding to report, the responses are estimate to take 0.5 hour per response. The first response might take longer, but subsequent responses may take less time. Based on this information, the estimated annual public burden associated with 252.237-7025 and -7026 is shown in the tables below.

1. Estimation of Respondent Burden

Estimation of Respondent Burden Hours: 252.237-7025 and-7026	
Number of respondents	12
Number of responses per respondent	35
Number of total annual responses	420
Hours per response	0.062
Annual respondent burden hours ( <i>Total annual responses * hours per response</i> )	26

2. Labor Cost of Respondent Burden

Labor Cost of Respondent Burden: 252.237-7025 and-7026	
Number of total annual responses	420
Hours per response	0.062
Cost per hour (hourly wage)*	\$54.61
Labor burden per response ( <i>Hours per response * hourly wage</i> )	\$3.39
Annual labor burden ( <i>Total annual responses * hours per response * hourly wage</i> )	\$1,422

\*The estimated cost per hour of \$54.61 is a composite rate, based on the 2022 (rest of US):  
 19 hours at GS-11/Step 5 base hourly rate of \$35.96 plus 36.25 percent burden (pursuant with OMB Memorandum M-08-13) = \$49.00 per hour; and  
 7 hours at GS-13/step 5 base hourly rate of \$51.25 plus 36.25 percent burden = \$69.83 per hour (for the entity reporting a disciplinary proceeding).

13. Respondent Costs Other Than Burden Hour Costs

There are no annualized costs to respondents, other than the burden costs addressed in Item 12.

14. Cost to the Federal Government

As estimated in the calculation of the public burden, the Government estimates receipt of 420 responses, of which 41 may include disclosure of a disciplinary proceeding. The Government further estimates a review time of 0.05 hour per response, except for those responses reporting a disciplinary proceeding the review time is estimated at 5 hours for the initial 5 offers received from that affected entity. Since these 5 offers will all be reporting the same disciplinary proceeding, the bulk of the 5 hours would relate to the first offer received from that entity. For subsequent updates after contract award, the Government estimates a review time of 0.2 hour per response. The composite rate of \$57.06 is based on the same rates applied in calculation of the public cost, except that it is based on 19 hours at \$49.00 and 12 hours at \$69.83.

a. Labor Cost to the Federal Government

Labor Cost to the Federal Government: 252.237-7025 and-7026	
Number of total annual responses	420
Hours per response	0.074
Cost per hour (hourly wage)*	\$52.84
Cost per response	
Total cost	\$1,646

b. Operational and Maintenance Costs

No operational and maintenance costs for the Federal Government are associated with this information collection.

c. Total Cost to the Federal Government

Total labor burden	\$1,646
Total operational and maintenance costs	\$0
Total cost to the Federal Government	\$1,646

15. Reasons for Change in Burden

This is a new collection with a new associated burden.

16. Publication of Results

The results of this collection will not be published.

17. Non-Display of OMB Expiration Date

DoD is not seeking approval to omit the display the expiration date for OMB approval of the information collection.

18. Exceptions to “Certification for Paperwork Reduction Submissions”

DoD is not requesting any exemptions to the provisions stated in 5 CFR 1320.9.