



Season 6: Episode 5 – Pricing, Accounting & Financing

DFARS 215.4 – Contract Pricing

Part 230 – Cost Accounting Standards

Part 231 – Contract Cost Principles and Procedures

Part 232 – Contract Financing

Co-Host – Bill Walter

- Managing Director of FORVIS's Government Contracting Advisory practice
- More than three decades of experience in government contracting
- Former DCAA auditor and Executive with one of the largest DoD service contractors
- Bill's work includes helping clients understand the requirements associated with developing and implementing pricing strategies, indirect cost allocation solutions, developing accounting, estimating, procurement, project management and integrated system requirements for clients in various industries including aerospace and defense, contingency contracting, logistics, oil and gas, energy, manufacturing, healthcare, construction and professional services.



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Independent consultant with 44-plus years of federal government contracting experience in both the public and private sector.

Chairman of The Advisory Panel on Streamlining and Codifying Acquisition Regulations (Section 809 Panel), <https://discover.dtic.mil/section-809-panel/>

The President of the United States appointed Dave to the Service Acquisition Reform Act (SARA) and the Multiple Award Schedule (MAS) Panels.

DoD Program Manager for Federal Acquisition Streamlining Act (FASA) Implementation.

Dave has worked for the DoD, the General Services Administration (GSA) and the Homeland Security and Government Affairs Committee (HSGAC) of the U.S. Senate. He has also worked for Northrop Grumman Corporation and Dixon Hughes Goodman, LLP.

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Today's Topics:

Pricing, Accounting & Financing

- DFARS 215.4 – Contract Pricing
- Part 230 – Cost Accounting Standards
- Part 231 – Contract Cost Principles and Procedures
- Part 232 – Contract Financing

Welcome and Rules of Engagement

- Class will begin promptly at 1300.
- Class will end at 1430.
- Please use the Q&A panel to ask your questions
 - If we don't answer the questions today, we'll get back to you.

What DFUN with the DFARS Covers

- This class covers the DFARS. We do not cover the FAR, except where necessary to provide context.
- What is the Procedures, Guidance and Information (PGI)?
 - It's not regulatory in nature.
 - We don't cover the PGI.
 - We do point you to specific parts of the PGI for you.
- PCI's course, "Fun with the FAR", covers the FAR in 26 separate episodes.
- If you have questions about this program, Fun w/ the FAR, or any of PCI's offerings, please email:
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Overview – Introduction

- The DFARS supplements the guidance extent in the FAR for preparing, awarding and administering contracts.
- DFARS are principally directed to DoD acquisition personnel.
 - Industry needs to understand them
 - provisions in solicitations,
 - clauses in contracts and
 - Prescriptions.
- Contractors gain significant benefits from understanding the DFARS to address the hoops and hurdles that the DoD acquisition team must navigate and to separate fact from fiction with regards to what you need to do under the regulation.

What's in the Documents Folder Today?

- [Contract Pricing Reference Guides](#),
- [Class Deviation—Section 890 Pilot Program to Accelerate Contracting and Pricing Processes](#),
- [Sole Source Pricing Lessons Learned; A Preview Defense Pricing and Contracting \(DPC\)](#),
- [Performance Based Payments Guide The Better Buying Power Initiative](#),
- [Cash Flow Tool for Evaluating Alternative Financing Arrangements](#),
- [Performance Based Payments Tool 6.1](#),
- [PBP Policy and Guidance](#),
- [DoD Class Deviation – Progress Payment Rates](#),
- [Department of Defense Contract Finance Study](#).

Polling Question #1

- How are you with Costing and Pricing issues?
 - a. Very experienced
 - b. Work with it from time to time
 - c. Some one else does it for my company
 - d. I run away from anything with numbers



215.4 Contract Pricing

- DoD KO must buy supplies and services at fair and reasonable prices.
- **Two Unique Definitions**
 - “Market prices” means current prices that are established during ordinary trade between buyers and sellers free to bargain and that can be substantiated through competition or from sources independent of the offerors.
 - “Relevant sales data” means information on sales of the same or similar items that can be used to establish price reasonableness taking into consideration the age, volume, and nature of the transactions (including any related discounts, refunds, rebates, offsets or other adjustments).
- **“Uncertified cost data”** the KO shall require the offeror to provide the information in the form in which it is regularly maintained in the offeror’s business operations.
- **“Certified cost or pricing data”** shall not be required in the case of a contract, subcontract, or modification of a contract or subcontract to the extent such data relates to an indirect offset.

215.4 Cost or Pricing Data & Profit

- **DoD Differences to Certified Cost or Pricing Data**
 - Adequate Price Competition – Only One Offer
 - Commercial Items – See the DoD Guidebooks
- **Table 215.403-1 FPRP Adequacy Checklist**
- **Detailed Proposal Analysis Techniques**
- **DoD Profit Policy – Three approaches**
 - Weighted guidelines method (DD Form 1547);
 - Modified weighted guidelines method; and
 - Alternate structured approach.
- **Special cost or pricing areas**
 - Defective certified cost or pricing data
 - Make-or-buy programs.
 - Forward pricing rate agreements
 - Should-cost review
 - Estimating systems.

Polling Question #2

- Are you working with contracts subject to CAS Requirements?
 - a. Yes – Full CAS Coverage
 - b. Yes – Modified CAS Coverage
 - c. No – All of our contracts are exempt from CAS
 - d. Not sure – What is CAS?



230.201-5 – CAS Program Waiver

- CAS Waivers may be granted by:
 - The military departments. Cannot be delegated below the CAO
 - Director, Defense Pricing and Contracting
- Waivers must:
 - Meet the requirements of FAR 30.201-5(b)
 - The property or services cannot reasonably be obtained under the contract, subcontract, or modification, as applicable, without granting the waiver;
 - The price can be determined to be fair and reasonable without the application of the Cost Accounting Standards; and
 - There are demonstrated benefits to granting the waiver.
- Annual reporting requirement for actions over \$15M annually

230.7 – Cost of Money

- 230.71 - Cost of Money – Facilities in Use
 - Use DD Form 1861 and CAS-CMF
 - Billable as an incurred cost
- 230.72 – Cost of Money – Facilities Under Construction
 - No offset to profit

231 – Contract Cost Principles & Procedures

- DFARS 252.231-7000:
 - When FAR Part 31 cost principles are applicable, DoD cost principles in effect on the date of this contract are applicable
- Utility Privatization - DoD Class Deviation 2011-O0006 allows CO to waive certain FAR Part 31 Cost Principles

231.205 – DoD Cost Principles

- Public Relations & Advertising
- Compensation for Personal Services
- Independent Research & Development & Bid & Proposal costs
- Insurance & Indemnification Costs
- External Restructuring Costs
- Costs Relater to Counterfeit Electronic Parts & Suspect Counterfeit Electronic Parts
- CARES Act Section 3610 Implementation

Polling Question #3

- DFARS Cost Principles provide significant limitations on allowability of B&P/IR&D Costs?
 - a. True
 - b. False



231.3 – Educational Institutions

- Institute of Higher Education:
 - The 26 percent limitation imposed on administrative indirect costs by OMB Circular No. A-21 shall not be applied to DoD contracts because the same limitation is not applied to other organizations performing similar work.
 - The cognizant ACO can waive the prohibition if the governing body of the institution of higher education requests the waiver

232 – Contract Financing

- Unique definition –
 - “Incremental funding” means the partial funding of a contract or an exercised option, with additional funds anticipated to be provided at a later time.
- Reporting of payments reduced or suspended due to fraud
- Timing of Financing payments
 - Progress payments - 7 days
 - PBP payments – 14 days
 - Interim payments – 14 days
 - May be longer when certain conditions exist

Polling Question #4

- Federal Contract Financing means the Federal government will provide commercial loans to contractors.
 - a. True
 - b. False



232 – Contract Financing – Small Businesses

- Accelerated Payments to Small Businesses – goal of 15 days
 - Includes requirement to make accelerated payments to Primes who contract w/ small businesses

232.072 – Financial Responsibility of Contractors

- Provides policies and procedures for determining financial capability
 - Required financial reviews
 - Other information and ratios
 - Cash Flow Forecasts

232.1 – Non-Commercial Item Purchase Financing

- Progress payments based on percentage or stage of completion are authorized only for contracts for
 - Construction
 - Ship conversion, alteration, or repair.
 - May be used for performance-based payments in accordance with FAR Subpart 32.10.
- Provisional delivery payment to be conservatively priced & used sparingly
 - Cannot exceed funds
 - Cannot influence the definitized price
 - No profit

232.2 - Commercial Item Purchase Financing

- Ensure KORS financial condition is sufficient for commercial contract financing
- Advance payments
- Interim Payments
- Restricted use of Installment payments
 - Customary
 - Appropriate
 - Ceiling percentage customary in marketplace

232.3 – Loan Guarantees for Defense Production

- Not currently available

232.4 – Advanced Payments

- Process to obtain approval for Advance Payments
 - Follow procedures in PGI 232.409-1 et seq
- Advanced Payment Pool
 - Performance of more than 1 contract by a contractor
 - Cost-type contracts w/ educational/research institutions

232.5 – Progress Payments Based on Costs

- Customary Progress Payment Rates
 - 80% for large businesses
 - 90% for small businesses – (95% through Class Deviation)
- Rate can't exceed 100% of obligated amount
- Use DFARS 252.232-7002 clause for FMS sales
- Suspension or reduction of payments
 - Contractor compliance
 - Adjust for contracts operating at a loss
 - Cos may request additional information from Kor
- Government title terms
 - ACO property mgmt & accounting system determinations/CO approval
 - Kor retains records of transfer
 - Kor monthly summary of transfer
 - Report includes number & \$ value of transfer

232.6 – Contract Debts

- Disbursing Officers in DoD determine both amount & collection
- PGI procedures govern the transfer of debt cases and the demand for payment
- Only the Finance contract finance office can compromise (settle) debts
- DPC may exempt contracts from administrative interest charges.
 - Other exemptions
 - ROTC instruction
 - Basic agreements w/ telephone companies
 - Transportation w/ common carriers
- Bankruptcy reporting

Polling Question #5

Why should a company care about Contract Funding?

- a. They shouldn't care, it makes no difference
- b. Contract funding impacts timely payments of proper invoices
- c. It impacts the ability of the company to "factor" its contracts
- d. B & C



232.7 – Contract Funding

- Incremental funding may be used for
 - Severable services
 - < than 1 year in length
 - Available funds at time of award
 - R&D
 - Congressional authorization
- Service contracts may cross Fys – but only 1 year
- No CPFF for military construction
- Cost ceilings – 90 days notice (may be adjusted in solicitations)
 - Kor must notify CO
 - CO may obtain add'l funds
 - Terminate the contract
 - Kor may stop work when ceiling reached with no add'l funds
 - At risk

232.8 – Assignment of Claims

- Only personal contracts may prohibit assignment of claims
- Assignee shall forward to the ACO
 - File the true copy of the instrument of assignment and the original of the notice in the contract file
 - Forward two copies of the notice to the disbursing officer of the payment office cited in the contract;
 - Return a copy of the notice to the assignee; and
 - Advise the contracting officer of the assignment
- Assignee shall file with the surety and disbursing officer identified documents

232.9 – Prompt Payment

- Doesn't apply when
 - An emergency
 - A contingency operation or
 - The release or threatened release of hazardous substances
 - HCA determination can't operate normally
 - Payments in operational areas
- Accelerate Payments to SBs discussed earlier
 - No interest penalty if payment is within normal period
- Calculating Payment due dates
 - 7-days from receipt of proper invoice & documents
 - Construction 14-days from receipt of proper invoice & documents
- Get the contract # right – be sure to use
 - 13 character order number
 - Contract number, or
 - Both

232.10 – Performance Based Payments

- Policy
 - “Shall not be conditioned upon costs incurred in contract performance, but on the achievement of performance outcomes.”
 - “All companies, including nontraditional defense contractors, are eligible for performance-based payments, consistent with best commercial practices.”
- Contractor accounting systems must be GAAP.
- Solicitations shall include both progress & PBPs
 - Contracts only one, except to TO/DO contracts
 - KOs shall use PBP tool in analyzing Progress & PBPs
 - PBPs must reflect adequate consideration to gov’t for increase cash flow

232.11 – Electronic Funds Transfer

Payments by Governmentwide commercial purchase card

- Can't use when the tax on certain foreign procurement applies
- Add DFARS Clause 22.232-7009

232.70 - Electronic Payment and Receiving Reports

- Payment requests and receiving reports are to be submitted in electronic form
- Exceptions:
 - Certain classified contracts
 - Where electronic submission is not feasible (e.g., internet is not available)
 - Cases where DoD is unable to receive or provide acceptance in electronic form
 - Where permission is requested in writing
 - When the Governmentwide commercial purchase card is used as the method of payment, only the receiving report is required in electronic form
- Must use Wide Area Workflow (WAWF) [252.232-7006]

232.71 - Levies on Contract Payments

- The Internal Revenue Service (IRS) is authorized to levy up to 100 percent of all payments made under a DoD contract, up to the amount of the tax debt.
- Contractor must notify if levy will impact
 - Contract performance
 - National security
- DPC evaluates impacts and DoD actions

See you on June 21st . . .

Same Bat Time . . .

Same Bat Channel . . .

THANKS!!!!!!

Trivia

Starbucks Gift Card (Sent electronically through Starbucks website)



DFUN with the DFARS™ T-Shirt (no Small)

