

OFPP Establishes Executive Compensation Ceiling for 2010

Written by Administrator
Friday, 16 April 2010 00:00

The Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) has published its annual Executive Compensation Benchmark in the Federal Register. The 2010 Executive Compensation Benchmark (\$693,951) establishes the GFY 2010 ceiling for Executive Compensation for those contractors subject to the allowability requirements of the FAR 31.205-6 (Compensation) Cost Principle.

Executive c

ompensation amounts (as calculated pursuant to the Cost Principle at 31.205-6(p)

) in excess of the OFPP Benchmark are unallowable for the top 5 highest-paid executives of the corporation and each of its segments.

It is important to note, however, that compensation amounts below the ceiling value are still subject to the "reasonableness" test of allowability.

In other words, DCAA auditors will not automatically accept executive compensation amounts as allowable, even if total compensation is below the OFPP ceiling.

The 2010 amount represents a nearly *de minimus* \$9,770 (or 1.4%) increase

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over last year's value. Perhaps that's not an unreasonable escalation factor, given the past year's economic situation. We've never been able to get a clear understanding of how the OMB and OFPP calculate the value. If you have a strong understanding, please post a comment below.

View the full notice [here](#).

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