

Recently we've published a few articles discussing changes to how DCAA audits contractor cost proposals—what they call “price proposals” or “forward price proposals”. (Not to be confused with Forward Pricing Rate Proposals, which are entirely different critters.) We have been less than enamored with the audit guidance, going so far as to say ([here](#)) that DCAA's audit guidance is so preposterous that DCMA needs to cut DCAA out of the price negotiation process. We said, “We urge the Pentagon to figure out another way of getting contractor proposals evaluated so that the parties can negotiate a reasonable price.”

Well, maybe that's just us being our usual strident over-the-top blog posters. Or maybe somebody at DCMA agrees with us. On September 17, 2010, the DFARS PGI was revised to address when DCMA Contracting Officers request “field pricing assistance” to support their analysis of contractor cost proposals. Significantly, the PGI now prescribes proposal value floors, under which DCAA audit assistance normally should not be requested. The revised PGI limits DCAA's role in the process.

First, let's discuss what the PGI is, because that's not well understood. A few years ago, the Defense Federal Acquisition Regulation Supplement (DFARS) was revised to eliminate much of its verbiage that discussed how and why DOD Contracting Officers did what they did. The goal was to pare the regulations down to just that—regulations. All the other verbiage was moved to a new document—the DFARS Procedures, Guidance, and Information (PGI), which co-exists with and links to the DFARS regulatory language.

So when we say that the PGI was revised, we are saying that the *internal guidance and direction*

issued to the DOD Contracting Officers was revised. Since the official DFARS regulatory language was not changed, there was no need to run the revisions through the DAR Council or to follow the prescribed rule-making process (which includes publication in the Federal Register and solicitation of public input). Even if you don't like the revisions you have no input into DOD internal guidance—so

you have to just suck it up.

Here is the [revised PGI](#) document. The changes are denoted by a vertical line at the far right margin. Take a look at the PGI language found at 215.404-2(a)—“Field Pricing Assistance”. The language now reads as follows—

(a) *Field pricing assistance.*

(i) The contracting officer should consider requesting field pricing assistance (See PGI 215.404-2(c) for when audit assistance should be requested) for—

(A) Fixed-price proposals exceeding the cost or pricing data threshold;

(B) Cost-type proposals exceeding the cost or pricing data threshold from offerors with significant estimating system deficiencies ...; or

(C) Cost-type proposals exceeding \$10 million from offerors without significant estimating system deficiencies.

(ii) The contracting officer should not request field pricing support for proposed contracts or modifications in an amount less than that specified in paragraph (a)(i) of this subsection. An exception may be made when a reasonable pricing result cannot be established because of—

(A) A lack of knowledge of the particular offeror; or

(B) Sensitive conditions (e.g., a change in, or unusual problems with, an offeror's internal systems).

(c) *Audit assistance for prime contracts or subcontracts.*

(i) The contracting officer should consider requesting audit assistance from DCAA for—

(A) Fixed-price proposals exceeding \$10 million;

(B) Cost-type proposals exceeding \$100 million.

(ii) The contracting officer should not request DCAA audit assistance for proposed contracts or modifications in an amount less than that specified in paragraph (c)(i) of this subsection unless there are exceptional circumstances explained in the request for audit. ...

(iii) If, in the opinion of the contracting officer or auditor, the review of a prime

contractor's proposal requires further review of subcontractors' cost estimates at the subcontractors' plants ... the contracting officer should inform the administrative contracting officer (ACO) having cognizance of the prime contractor before the review is initiated.

(iv) Notify the appropriate contract administration activities when extensive, special, or expedited field pricing assistance will be needed to review and evaluate subcontractors' proposals under a major weapon system acquisition. If audit reports are received on contracting actions that are subsequently

cancelled, notify the cognizant auditor in writing.

(v) Requests for audit assistance for subcontracts should use the same criteria as established in paragraphs (c)(i) and (c)(ii) of this subsection.

What we see in the foregoing is a movement towards limiting DCAA's role in DCMA proposal analysis. Fixed-price proposals valued at less than \$10 million normally should not be reviewed by DCAA. Similarly, cost-type proposals valued at less than \$100 million normally should not be reviewed by DCAA. We acknowledge some weasel-words about "exceptional circumstances." We also acknowledge the risk-averse nature of the modern DCMA Contracting Officer. Regardless, we think (and hope) that those circumstances will be, well, exceptions and not the rule.

In any case, this seems to be a good first step in DCMA's evolution towards a contract administration agency that can evaluate and negotiate cost proposals without leaning on DCAA like a crutch. We applaud it—and encourage the Pentagon to keep going!