(c) When selecting the percentage to use for this special factor, the contracting officer has maximum flexibility in determining the best way to evaluate the benefit the contractor’s cost reduction efforts will have on the pending contract. However, the contracting officer shall consider the impact that quantity differences, learning, changes in scope, and economic factors such as inflation and deflation will have on cost reduction.


215.404–72 Modified weighted guidelines method for nonprofit organizations other than FFRDCs.

(a) Definition. As used in this subpart, a nonprofit organization is a business entity—

(1) That operates exclusively for charitable, scientific, or educational purposes;

(2) Whose earnings do not benefit any private shareholder or individual;

(3) Whose activities do not involve influencing legislation or political campaigning for any candidate for public office; and

(4) That is exempted from Federal income taxation under section 501 of the Internal Revenue Code.

(b) For nonprofit organizations that are entities that have been identified by the Secretary of Defense or a Secretary of a Department as receiving sustaining support on a cost-plus-fixed-fee basis from a particular DoD department or agency, compute a fee objective for covered actions using the weighted guidelines method in 215.404–71, with the following modifications:

(1) Modifications to performance risk (Blocks 21–23 of the DD Form 1547). (i) If the contracting officer assigns a value from the standard designated range (see 215.404–71–2(c)), reduce the fee objective by an amount equal to 1 percent of the costs in Block 20 of the DD Form 1547. Show the net (reduced) amount on the DD Form 1547.

(ii) Do not assign a value from the technology incentive designated range.

(2) Modifications to contract type risk (Block 24 of the DD Form 1547). Use a designated range of –1 percent to 0 percent instead of the values in 215.404–71–3. There is no normal value.

(c) For all other nonprofit organizations except FFRDCs, compute a fee objective for covered actions using the weighted guidelines method in 215.404–71, modified as described in paragraph (b)(1) of this subsection.


(a) The contracting officer may use an alternate structured approach under 215.404–4(c).

(b) The contracting officer may design the structure of the alternate, but it shall include—

(1) Consideration of the three basic components of profit—performance risk, contract type risk (including working capital), and facilities capital employed. However, the contracting officer is not required to complete Blocks 21 through 30 of the DD Form 1547.

(2) Offset for facilities capital cost of money.

(i) The contracting officer shall reduce the overall prenegotiation profit objective by the amount of facilities capital cost of money under Cost Accounting Standard (CAS) 414, Cost of Money as an Element of the Cost of Facilities Capital (48 CFR 9904.414). Cost of money under CAS 417, Cost of Money as an Element of the Cost of Capital Assets Under Construction (48 CFR 9904.417), should not be used to reduce the overall prenegotiation profit objective. The profit amount in the negotiation summary of the DD Form 1547 must be net of the offset.

(ii) This adjustment is needed for the following reason: The values of the profit factors used in the weighted guidelines method were adjusted to recognize the shift in facilities capital cost of money from an element of profit to an element of contract cost (see FAR 31.205–10) and reductions were made directly to the profit factors for performance risk. In order to ensure that this policy is applied to all DoD contracts that allow facilities capital cost of money, similar adjustments
shall be made to contracts that use alternate structured approaches.


215.404–74 Fee requirements for cost-plus-award-fee contracts.

In developing a fee objective for cost-plus-award-fee contracts, the contracting officer shall—
(a) Follow the guidance in FAR 16.405–2 and 216.405–2;
(b) Not use the weighted guidelines method or alternate structured approach;
(c) Apply the offset policy in 215.404–73(b)(2) for facilities capital cost of money, i.e., reduce the base fee by the amount of facilities capital cost of money; and
(d) Not complete a DD Form 1547.


215.404–75 Fee requirements for FFRDCs.

For nonprofit organizations that are FFRDCs, the contracting officer—
(a) Should consider whether any fee is appropriate. Considerations shall include the FFRDC’s—
(1) Proportion of retained earnings (as established under generally accepted accounting methods) that relates to DoD contracted effort;
(2) Facilities capital acquisition plans;
(3) Working capital funding as assessed on operating cycle cash needs; and
(4) Provision for funding unreimbursed costs deemed ordinary and necessary to the FFRDC.
(b) Shall, when a fee is considered appropriate, establish the fee objective in accordance with FFRDC fee policies in the DoD FFRDC Management Plan.
(c) Shall not use the weighted guidelines method or an alternate structured approach.


215.404–76 Reporting profit and fee statistics.

Follow the procedures at PGI 215.404–76 for reporting profit and fee statistics.

[71 FR 69494, Dec. 1, 2006]

215.406–1 Prenegotiation objectives.

Follow the procedures at PGI 215.406–1 for establishing prenegotiation objectives.

[71 FR 69494, Dec. 1, 2006]

215.406–3 Documenting the negotiation.

Follow the procedures at PGI 215.406–3 for documenting the negotiation.

[71 FR 69494, Dec. 1, 2006]

215.407–2 Make-or-buy programs.

(e) Program requirements—(1) Items and work included. The minimum dollar amount is $1.5 million.


(b)(i) Use forward pricing rate agreement (FPRA) rates when such rates are available, unless waived on a case-by-case basis by the head of the contracting activity.
(ii) Advise the ACO of each case waived.
(iii) Contact the ACO for questions on FRPAs or recommended rates.

215.407–4 Should-cost review.

See PGI 215.407–4 for guidance on determining whether to perform a program or overhead should-cost review.

[71 FR 69495, Dec. 1, 2006]


215.407–5–70 Disclosure, maintenance, and review requirements.

(2) Contractor means a business unit as defined in FAR 2.101.
(3) Estimating system is as defined in the clause at 252.215–7002, Cost Estimating System Requirements.