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 FPRA 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.

(4) Significant deficiency is defined in the clause at 252.215–7002, Cost Estimating System Requirements.

(b) Applicability. (1) DoD policy is that all contractors have acceptable estimating systems that consistently produce well-supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices.

(2) A large business contractor is subject to estimating system disclosure, maintenance, and review requirements if—

(i) In its preceding fiscal year, the contractor received DoD prime contracts or subcontracts totaling $10 million or more (but less than $50 million) for which cost or pricing data were required and the contracting officer, with concurrence or at the request of the ACO, determines it to be in the best interest of the Government (e.g., significant estimating problems are believed to exist or the contractor’s sales are predominantly Government).

(c) Policy. (1) The contracting officer shall—

(i) Through use of the clause at 252.215–7002, Cost Estimating System Requirements, apply the disclosure, maintenance, and review requirements to large business contractors meeting the criteria in paragraph (b)(2)(i) of this section;

(ii) Consider whether to apply the disclosure, maintenance, and review requirements to large business contractors under paragraph (b)(2)(ii) of this section; and

(iii) Not apply the disclosure, maintenance, and review requirements to other than large business contractors.

(2) The cognizant contracting officer, in consultation with the auditor, for contractors subject to paragraph (b)(2) of this section, shall—

(i) Determine the acceptability of the disclosure and approve or disapprove the system: and

(ii) Pursue correction of any deficiencies.

(3) The auditor conducts estimating system reviews.

(4) An acceptable system shall provide for the use of appropriate source data, utilize sound estimating techniques and good judgment, maintain a consistent approach, and adhere to established policies and procedures.

(5) In evaluating the acceptability of a contractor’s estimating system, the contracting officer, in consultation with the auditor, shall determine whether the contractor’s estimating system complies with the system criteria for an acceptable estimating system as prescribed in the clause at 252.215–7002, Cost Estimating System Requirements.

(d) Characteristics of an acceptable estimating system—(1) General. An acceptable system should provide for the use of appropriate source data, utilize sound estimating techniques and good
(2) Evaluation. In evaluating the acceptability of a contractor’s estimating system, the ACO should consider whether the contractor’s estimating system, for example—

(i) Establishes clear responsibility for preparation, review, and approval of cost estimates;
(ii) Provides a written description of the organization and duties of the personnel responsible for preparing, reviewing, and approving cost estimates;
(iii) Assures that relevant personnel have sufficient training, experience, and guidance to perform estimating tasks in accordance with the contractor’s established procedures;
(iv) Identifies the sources of data and the estimating methods and rationale used in developing cost estimates;
(v) Provides for appropriate supervision throughout the estimating process;
(vi) Provides for consistent application of estimating techniques;
(vii) Provides for detection and timely correction of errors;
(viii) Protects against cost duplication and omissions;
(ix) Provides for the use of historical experience, including historical vendor pricing information, where appropriate;
(x) Requires use of appropriate analytical methods;
(xi) Integrates information available from other management systems, where appropriate;
(xii) Requires management review including verification that the company’s estimating policies, procedures, and practices comply with this regulation;
(xiii) Provides for internal review of and accountability for the acceptability of the estimating system, including the comparison of projected results to actual results and an analysis of any differences;
(xiv) Provides procedures to update cost estimates in a timely manner throughout the negotiation process; and
(xv) Addresses responsibility for review and analysis of the reasonableness of subcontract prices.

(3) Indicators of potentially significant estimating deficiencies. The following examples indicate conditions that may produce or lead to significant estimating deficiencies—

(i) Failure to ensure that historical experience is available to and utilized by cost estimators, where appropriate;
(ii) Continuing failure to analyze material costs or failure to perform subcontractor cost reviews as required;
(iii) Consistent absence of analytical support for significant proposed cost amounts;
(iv) Excessive reliance on individual personal judgments where historical experience or commonly utilized standards are available;
(v) Recurring significant defective pricing findings within the same cost element(s);
(vi) Failure to integrate relevant parts of other management systems (e.g., production control or cost accounting) with the estimating system so that the ability to generate reliable cost estimates is impaired; and
(vii) Failure to provide established policies, procedures, and practices to persons responsible for preparing and supporting estimates.

(e) Disposition of findings—(1) Reporting of findings. The auditor shall document findings and recommendations in a report to the contracting officer. If the auditor identifies any significant estimating system deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.

(2) Initial determination. (i) The contracting officer shall review all findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor’s estimating system is acceptable and approved; or
(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.215–7002, Cost Estimating System Requirements) due to the contractor’s failure to meet one or more of the estimating system criteria in the clause at 252.215–7002, the contracting officer shall—
(A) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiency;

(B) Request the contractor to respond in writing to the initial determination within 30 days; and

(C) Promptly evaluate the contractor’s responses to the initial determination, in consultation with the auditor or functional specialist, and make a final determination.

(3) Final determination. (i) The contracting officer shall make a final determination and notify the contractor in writing that—

(A) The contractor’s estimating system is acceptable and approved, and no significant deficiencies remain, or

(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(1) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(2) Disapprove the system in accordance with the clause at 252.215–7002, Cost Estimating System Requirements; and

(3) Withhold payments in accordance with the clause at 252.242–7005, Contractor Business Systems, if the clause is included in the contract.

(ii) Follow the procedures relating to monitoring a contractor’s corrective action and the correction of significant deficiencies in PGI 215.407–5–70(e).

(f) System approval. The contracting officer shall promptly approve a previously disapproved system and release withheld payments, to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.


215.408 Solicitation provisions and contract clauses.

(1) Use the clause at 252.215–7000, Pricing Adjustments, in solicitations and contracts that contain the clause at—

(i) FAR 52.215–11, Price Reduction for Defective Cost or Pricing Data—Modifications;

(ii) FAR 52.215–12, Subcontractor Cost or Pricing Data; or

(iii) FAR 52.215–13, Subcontractor Cost or Pricing Data—Modifications.

(2) Use the clause at 252.215–7002, Cost Estimating System requirements, in all solicitations and contracts to be award on the basis of cost or pricing data.


215.470 Estimated data prices.

(a) DoD requires estimates of the prices of data in order to evaluate the cost to the Government of data items in terms of their management, product, or engineering value.

(b) When data are required to be delivered under a contract, include DD Form 1423, Contract Data Requirements List, in the solicitation. See PGI 215.470(b) for guidance on the use of DD Form 1423.

(c) The contracting officer shall ensure that the contract does not include a requirement for data that the contractor has delivered or is obligated to deliver to the government under another contract or subcontract, and that the successful offeror identifies any such data required by the solicitation. However, where duplicate data are desired, the contract price shall include...