

Policy Alert No. 11-03 has been revised and is re-transmitted for your information. The revised language provided by Rev. 001 of this Policy Alert is shown in green bold.

11/21/11

POLICY ALERT

No. 11-03 / Rev. 001

Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending; "Align Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) Processes to Ensure Work is Complementary"

And

FORWARD PRICING RATES

REFERENCE: [Defense Procurement and Acquisition Policy Memorandum dated January 4, 2011](#)
[Defense Procurement and Acquisition Policy Memorandum dated November 16, 2011](#)

TYPE OF ACTION: Direction

EFFECTIVE DATE: January 4, 2011 **and November 16, 2011**

SUMMARY: The Under Secretary of Defense for Acquisition, Technology, and Logistics, memorandum "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending," dated September 14, 2010, called for a better work alignment and reduction in **Defense Contract Management Agency (DCMA)/Defense Contract Audit Agency (DCAA)** overlap. As a result of **the January 4, 2011 memorandum**, please be aware of the following changes:

- DCAA will no longer perform field pricing audits on cost-type proposals less than \$100M and fixed-type proposals less than \$10M (refer to **Defense Federal Acquisition Regulation Supplement (DFARS)** Policy Guidance and Information (PGI) **Subpart 215.404-2**, effective September 17, 2010, and **TRICARE Management Activity (TMA)** Policy Alert 10-38, Audit Thresholds, dated September 16, 2010). Requests below the dollar threshold set in the PGI will be referred to DCMA for field pricing assistance.

- DCMA will be the single Agency responsible for issuing all Forward Pricing Rate Agreements (FPRA) and Forward Pricing Rate Recommendations (FPRR) for contractors where DCMA is the cognizant contract administration office. In those cases where DCAA has completed an audit of a particular contractor's rates, DCMA shall adopt the DCAA recommended rates as the Department's FPRR position. **To improve coordination, DCMA has provided a web site to identify the responsible DCMA Corporate Administrative Contracting Officer (CACO), and Divisional Administrative Contracting Officer (DACO) based on the company name. The website is at**

https://pubapp.dcma.mil/CASD/browse_CasdCacodceReport.do?jboEvent=Search

Contracting Officers (CO) should use DCMA FPRAs when they exist. Absent FPRAs, COs should use DCMA FPRRs to establish pre-negotiation objectives. During negotiations, COs may deviate from FPRAs/FPRRs when there are solid reasons for doing so. COs are expected to discuss exceptions with the DCMA CACO or DACO and to document the rationale for their exceptions in their negotiation memorandum.

- DCMA will continue to conduct Financial Capability Reviews as part of the Pre-Award Survey Process in accordance with **Federal Acquisition Regulations (FAR)** Subpart 9.106 and DFARS PGI Subpart 209.106. DCAA plans to withdraw from performing Financial Capability Reviews and Audits.
- DCMA will continue to conduct Contractor Purchasing System Reviews in accordance with FAR Part 44.3 and DFARS Part 244.3. DCAA plans to withdraw from performing regularly scheduled Purchasing System Audits.
- **An interim rule with regard to Contractor Business Systems was published May 18, 2011 (DFARS Case 2009-D038). The rule defined DCMA/DCAA responsibility with respect to each Agency's role in assessing and determining status of the contractor's Accounting, Estimating, Earned Value Management, Material Management and Accounting, Purchasing and Property systems, and other identified systems. Please refer to Federal Register Volume 76, Number 96 referenced in [Policy Alert 11-62 Business Systems - Definition and Administration](#) dated 08/24/11**

ACTION REQUIRED: COs/Contract Specialists/Administrators should review the DPAP memorandums and coordinate audit requests with the appropriate organizations.

This Policy Alert is effective on the date indicated above, and remains in effect until incorporated into FAR and DFARS or otherwise rescinded.

You may direct comments/questions on this Policy Alert to the Contract Policy and Pricing Branch at 303-676-3985.

If this policy alert has any broken links please report them by clicking [here](#).