



**DEPARTMENT OF DEFENSE**  
**Defense Contract Management Agency**

**INSTRUCTION**

**Estimating System Review**

**Contracts Directorate**  
**OPR: DCMA-AQ**

**DCMA-INST 133**  
**October 15, 2013**

*Validated Current, September 8, 2014*

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**1. PURPOSE.** This Instruction:

a. Updates Agency policy, assigns responsibilities, and provides processes and procedures for DCMA Instruction (DCMA-INST) 133, "Estimating System Review" (Reference (a)).

b. Implements Government policy pursuant to the references on page 3.

c. Is established in compliance with DoD Directive (DoDD) 5105.64, "Defense Contract Management Agency (DCMA)" (Reference (b)).

**2. APPLICABILITY.** This Instruction applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence (e.g., International Directorate and Special Programs Directorate activities).

**3. MANAGERS' INTERNAL CONTROL PROGRAM.** In accordance with DCMA-INST 710, "Managers' Internal Control Program" (Reference (c)), this Instruction is subject to evaluation and testing. The process flow is located at Appendix A.

**4. RELEASABILITY – UNLIMITED.** This Instruction is approved for public release.

**5. PLAS CODE.**

a. Process: 112 – Contractor Estimating System Reviews

b. Programs: ACAT/Other Customers (when applicable)

c. Other National: Training and Travel; Local Programs (when applicable)

**6. POLICY RESOURCE WEB PAGE.** <https://home.dcmsa.mil/policy/133r>

**7. EFFECTIVE DATE.** By order of the Director, DCMA, this Instruction is effective October 15, 2013 and all applicable activities shall be fully compliant within 60 days from this date.

A handwritten signature in black ink, appearing to read "Timothy P. Callahan".

Timothy P. Callahan  
Executive Director  
Contracts

## TABLE OF CONTENTS

<b>REFERENCES</b> .....	3
<b>CHAPTER 1 – POLICY</b>	
1.1. Policy .....	4
<b>CHAPTER 2 – ROLES AND RESPONSIBILITIES</b>	
2.1. Administrative Contracting Officer (ACO).....	6
2.2. Contracts Director or Corporate Administrative Contracting Officer (CACO) Group Director/Supervisor.....	6
2.3. Functional Specialist.....	6
2.4. Contractor Business System Review Panel Members .....	6
<b>CHAPTER 3 - PROCEDURES</b>	
3.1. Disclosure, Maintenance, and Review Requirements.....	8
3.2. Review Process for Large Business Contractors .....	9
3.3. Initial Determination.....	9
3.4. Final Determination .....	10
3.5. Approval of the System .....	12
3.6. Other-Than-Large-Business Contractors .....	13
3.7. Retention of Records .....	15
<b>TABLE</b>	
Table 1. Contractor’s Category.....	14
Table 2. Contractor’s Requirement.....	15
<b>APPENDIX</b>	
Appendix A. Estimating Process Flow Charts and Key Control Chart .....	17
<b>GLOSSARY</b>	
Definitions.....	23
Acronyms.....	24

## REFERENCES

- (a) DCMA-INST 133, "Estimating System Review," February 2012 (hereby canceled)
- (b) DoDD 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) DCMA-INST 710, "Managers' Internal Control Program," September 30, 2011
- (d) DFARS 215.407-5-70, "Disclosure, maintenance, and review requirements"
- (e) DFARS 252.215-7002, "Cost Estimating System Requirements"
- (f) DCMA-INST 134, "Boards of Review," October 15, 2012
- (g) DCMA-INST 131, "Contractor Business Systems," August 15, 2012
- (h) DCMA-INST 126, "Contract Audit Follow Up," August 22, 2013
- (i) DFARS Procedures, Guidance, and Information (PGI) 215.407-5, "Estimating Systems"
- (j) DFARS 252.242-7005, "Contractor Business Systems"
- (k) FAR 15.403 "Obtaining Certified Cost or Pricing Data"
- (l) DCMA-INST 809, "Records Management," May 2011

## CHAPTER 1

### POLICY

#### 1.1. POLICY. It is DCMA policy that:

1.1.1. All contractors shall have an estimating system (see Glossary for a definition) that consistently produces well supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices in accordance with DFARS 215.407-5-70(b)(1) (Reference (d)). Estimating systems shall be consistent and integrated with a contractor's related management systems and be subject to applicable financial control systems. To be considered acceptable, an estimating system must be established, maintained, reliable, and consistently applied. It must also produce verifiable, supportable, and documented cost estimates.

1.1.2. All contractors shall use an acceptable estimating system for proposal preparation that benefits both the Government and the contractor by increasing the accuracy and reliability of individual proposals. An acceptable system shall provide for the use of appropriate source data, use sound estimating techniques and good judgment, maintain a consistent approach, and adhere to established policies and procedures. For covered contracts, an 'acceptable estimating system' is defined at DFARS 252.215-7002(a) (Reference (e)). However, the requirements for an acceptable estimating system of large business contractors are different than the requirements for other-than-large contractors. The contractors shall maintain the applicable requirements.

1.1.3. Administrative contracting officers (ACO) shall determine the adequacy of contractor estimating methods and procedures by coordination with Defense Contract Audit Agency (DCAA)/Host Nation Financial Audit Organization and/or other functional specialists. They evaluate the reliability of a contractor's estimates, identify areas requiring special emphasis in the evaluation and negotiation of individual price proposals, and recommend improvements when deficiencies are noted in a contractor's estimating system. Estimating system reviews identify the strengths and weaknesses in a contractor's estimating system. Identification of estimating system deficiencies and corresponding impacts should lead to the required corrective actions. Corrective action can substantially reduce the incidence of unreasonable pricing and the time and effort required to audit individual price proposals.

1.1.4. The ACO shall request a board of review (BOR) when there is disagreement between the ACO and the functional specialists or DCAA auditor/Host Nation Audit Organization over the report findings in accordance with DCMA-INST 134, "Boards of Review" (Reference (f)).

1.1.5. Before the ACO makes a final determination to disapprove the estimating system, the ACO shall obtain a review from the contracting business systems review panel in accordance with DCMA-INST 131, "Contractor Business Systems" (References (g)) prior to notifying the contractor of the estimating system disapproval.

1.1.6. The ACO will report the resolution and disposition a reportable estimating system review audit report in accordance with DCMA-INST 126, "Contract Audit Follow Up" (Reference (h)).

1.1.7. The ACO shall comply with records management requirements as further described in paragraph 3.7.

1.1.8. Estimating system status will be reported in the Contract Business Analysis Repository (CBAR) based on the ACOs approval/disapproval letter to the contractor.

## CHAPTER 2

### ROLES AND RESPONSIBILITIES

#### **2.1. ADMINISTRATIVE CONTRACTING OFFICER (ACO).** ACO shall:

2.1.1. Ensure all contractors have an estimating system that consistently produces well supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices.

2.1.2. Request DCAA to lead a review every 3 years unless the ACO and DCAA agree to lengthen or shorten the review cycle based on a documented joint risk assessment.

2.1.3. Issue a business system determination letter in accordance with DCMA-INST 131, (Reference (g)).

#### **2.2. CONTRACTS DIRECTOR OR CORPORATE ADMINISTRATIVE CONTRACTING OFFICER (CACO) GROUP DIRECTOR/SUPERVISOR.** Contracts director or CACO group director/supervisor shall:

2.2.1. Review the ACO's determination letters and supporting memorandum to file and verify whether the ACO followed the procedures for resolving and/or dispositioning the reportable audit before approving the determination letter. The contracts director may delegate this action to a level no lower than the contract team supervisor/leader.

2.2.2. Concur with the ACO's determination letter if documentation supports the ACO's determination.

2.2.3. Contracts director and Divisional Administrative Contracting Officer (DACO) supervisor at Special Programs have the same roles and responsibility as stated in paragraph 2.2.1. and 2.2.2. except delegation of the action. They cannot delegate this action to the lower level contract team supervisor/leader.

#### **2.3. FUNCTIONAL SPECIALIST.** Functional specialists shall:

2.3.1. Participate in an estimating system review when requested by the ACO.

2.3.2. Provide a written report to the requesting ACO to incorporate into the comprehensive written report to DCAA outlining the findings and recommendations of the DCMA functional specialists.

#### **2.4. CONTRACTOR BUSINESS SYSTEM REVIEW PANEL MEMBERS.** Contractor business system review panel members shall:

2.4.1. Review the ACO's determination in accordance with DCMA-INST 131 (Reference (g)), before the ACO makes a final determination to disapprove the estimating system.

2.4.2. Review the documents provided by the ACO including, but not limited to, a chronology of events leading to the proposed final determination, a copy of the functional specialist or auditor report, the contractor's response to the initial determination, and the proposed final determination letter, as approved by the CMO contracts director and/or the director of the CACO/DACO division of the Cost and Pricing Center.

## CHAPTER 3 PROCEDURES

### 3.1. DISCLOSURE, MAINTENANCE, AND REVIEW REQUIREMENTS.

3.1.1. Acceptable Estimating System. It is DoD policy 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. An acceptable system shall provide for the use of appropriate source data, utilize sound estimating system techniques and good judgment, maintain a consistent approach, and adhere to established policies and procedures in accordance with DFARS 252.215-7002(d)(4) (Reference (e)).

3.1.2. Applicability. A large business contractor is subject to estimating system disclosure, maintenance, and review requirements if the large business contractor meets one of the conditions in paragraph 3.1.2.1. or 3.1.2.2. in accordance with DFARS 215.407-5-70(b) (Reference (d)).

3.1.2.1. In its preceding fiscal year, the contractor received DoD prime contracts or subcontracts totaling \$50 million or more for which certified cost or pricing were required.

3.1.2.2. 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 certified cost or pricing data were required and the procuring 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). The contracting officer would notify the contractor if this applies.

3.1.2.3. The other-than-large-business contractors are not subject to estimating system disclosure, maintenance, and review requirement as stated in paragraph 3.1.2.1. and 3.1.2.2. However, such contractors shall have an acceptable estimating system as stated in paragraph 3.1.1. The definition of an acceptable estimating system is defined in the Glossary.

3.1.3. Determination of Applicability. In accordance with DFARS 215.407-5-70(c) (Reference (d)), the ACO shall:

3.1.3.1. As required by the contract clause at DFARS 252.215-7002 (Reference (e)), apply the disclosure, maintenance, and review requirements to large business contractors meeting the criteria in paragraph 3.1.2.1.

3.1.3.2. Consider whether to apply the disclosure, maintenance, and review requirements to large business contractors meeting the criteria in paragraph 3.1.2.2. and advise the procuring contracting officer to notify the contractor, in writing, of the requirement.



3.1.3.3. Not apply the disclosure, maintenance, and review requirements to other-than-large-business contractors in paragraph 3.1.2.3. The ACO's surveillance requirements on other-than-large-business contractors are stated in paragraph 3.6.

### **3.2. REVIEW PROCESS FOR LARGE BUSINESS CONTRACTORS.**

3.2.1. Defense Contract Audit Agency (DCAA)/Host Nation Financial Audit Organization. The ACO shall request DCAA/Host Nation Financial Audit Organization to lead an estimating system review every 3 years unless the ACO and DCAA agree to lengthen or shorten the review cycle based on a documented joint risk assessment. DCAA shall lead the review team and prepare the team's written report. The DCAA auditor is required to document findings and recommendations in a report to the ACO. If the auditor identifies any significant estimating system deficiencies, the report should describe the deficiencies in sufficient detail to allow the ACO to understand the deficiencies. See DFARS 215.407-5.70 (Reference (d)) for more information.

3.2.2. Functional Specialist. The ACO shall identify qualified functional specialists (e.g., price/cost analysts, industrial specialists, and engineers who are experienced in evaluating proposal estimates) to participate in the review and coordinate their review activities.

3.2.3. ACO and/or Cost Monitor (CM). After the ACO receives the report from the functional specialists, the ACO/CM shall consolidate the findings and recommendations and prepare a comprehensive written report to DCAA. When the ACO receives the DCAA audit, the ACO shall ensure the DCMA functional specialist findings and recommendations are addressed in the DCAA audit report and make a determination whether the audit report identifies significant deficiencies in sufficient detail to allow the ACO to understand the deficiencies. If further clarification is required, the ACO should coordinate with DCAA.

### **3.3. INITIAL DETERMINATION.**

3.3.1. No Significant Deficiencies. If there are no significant deficiencies, promptly notify the contractor in writing that the contractor's estimating system is acceptable and approved in accordance with DFARS 215.407-5-70(d)(2) and DCMA-INST 131(References (d) and (g)). This notification comprises both an initial and a final determination. For approval requirements of the initial notification, refer to paragraph 3.4.2.

3.3.2. One or More Significant Deficiencies. If the ACO determines there are one or more significant deficiencies due to the contractor's failure to meet one or more of the estimating system criteria in accordance with DFARS 215.407-5-70(d)(2) (Reference (d)), the ACO shall:

3.3.2.1. Within 10 days of receiving the report, make an initial 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 in accordance with DFARS 252.215-7002 and DCMA-INST 131 (References (e) and (g)).

3.3.2.2. Request the contractor to provide a written response to the initial determination within 30 days including rationale for any disagreement with the initial determination. The ACO shall provide the contractor a copy of the audit report if it was issued. If the audit report includes the contractor comments to the audit findings, the ACO's initial determination letter should also request the contractor to provide any additional information which would assist the ACO in making a final determination.

3.3.3. Documentation and Management Review. The ACO shall document the basis for the initial determination and obtain management review. The documentation includes:

3.3.3.1. An affirmative statement that the ACO agreed or disagreed with each audit and functional specialist's finding and/or recommendation. If, after additional discussion/clarifications, the ACO does not agree with each audit or functional specialist finding and recommendation, the action is subject to a BOR in accordance with DCMA-INST 134 (Reference (f)).

3.3.3.2. Sound rationale to resolve each audit or functional specialist's findings and recommendations. The rationale must demonstrate that the ACO has considered all appropriate guidance, regulations, and DCMA policy.

3.3.4. Approval of Initial Determination.

3.3.4.1. The ACO shall obtain management review of the initial determination letter and supporting memorandum to file by the contract management office (CMO) contracts director or the CACO group director/supervisor. The CMO contracts director or CACO group director may delegate this action to a level no lower than the contract team supervisor/leader or CACO group supervisor.

3.3.4.2. The CMO contracts director or the CACO group director/supervisor shall verify whether the ACO followed the procedures for resolving and/or dispositioning the reportable audit before approving the initial determination letter. The CMO contracts or the CACO group director may delegate this action to a level no lower than the contract team supervisor/leader or CACO group supervisor. Refer to DCMA-INST 126 (Reference (h)).

3.3.5. Distribution of Initial Determination Letter. A copy of the ACO's initial determination shall be provided to DCAA and each contracting activity that has substantial business with the contractor.

### **3.4. FINAL DETERMINATION.**

3.4.1. Evaluation of Contractor's Response. Within 30 days of receiving the contractor's response, the ACO, in consultation with the auditor or functional specialist, shall evaluate the contractor's response, obtain concurrence from the CMO contracts director or the CACO group director, obtain review by Contractor Business Systems Review Panel if ACO disapproves the estimating system, and make a final determination in accordance with DFARS PGI 215.407-5-70 (e)(2)(ii)(c) (Reference (i)).

3.4.1.1. No Continuing Significant Deficiencies. In accordance with DFARS 215.407-5-70(e) (Reference (d)), if there are no continuing significant deficiencies, the ACO shall notify the contractor that the estimating system is approved and no significant deficiencies remain.

3.4.1.2. One or More Continuing Significant Deficiencies. If the ACO determines significant deficiencies remain, the ACO shall:

3.4.1.2.1. Disapprove the system in accordance with the clause at DFARS 252.215-7002 (Reference (e)) after conducting the headquarters panel review.

3.4.1.2.2. Identify any remaining deficiencies and indicate the adequacy of any proposed or completed corrective actions.

3.4.1.2.3. Request the contractor either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies within 45 days of receipt of the final determination.

3.4.1.2.4. Withhold payments in accordance with the clause at DFARS 252.242-7005 (Reference (j)), if the specific clause is included in a contract. DCMA-INST 131 (Reference (g)) contains procedures ACOs should take in order to withhold the payments. In the event the contractor does not have the business system clauses, ACOs can withhold payment under the progress payment clause for a failure to meet a material requirement or the payments clause of the cost reimbursable contracts.

3.4.1.2.5. Letter of disapproval sample is available on the resource page of DCMA-INST 131 (Reference (g)).

3.4.1.3. Documentation and Management Review. The ACO shall document the following in a memorandum to file:

3.4.1.3.1. An affirmative statement that the ACO agreed or disagreed with each audit and functional specialist's finding and/or recommendation.

3.4.1.3.2. Justification for disapproving the estimating system based on the current condition of the system. The justification must demonstrate that the ACO has considered all appropriate FAR, DFARS, and DCMA policy publications related to the issues or questions raised.

3.4.2. Obtain Approval of Final Determination Letter and Supporting Memorandum.

3.4.2.1. Request for Approval. The ACO shall obtain approval of the determination letter and supporting memorandum to file from the CMO contracts director or the CACO group director/supervisor before sending it to the contractor when the ACO's final determination approves the estimating system or requesting a contractor business systems review panel when

the ACO's final decision disapproves the estimating system. The CMO director may delegate this action to a level no lower than a contract team supervisor/leader.

3.4.2.2. Reportable Audit. The CMO contracts director or CACO group director/supervisor shall verify that the ACO follows the procedures for the disposition of the reportable audit before approving the notice of disapproval. The CMO director may delegate this action to a level no lower than a contract team supervisor/leader. Refer to DCMA-INST 126 (Reference (h)).

3.4.2.3. Contractor Business Systems Review Panel. When the ACO's final determination disapproves the estimating system, the ACO shall obtain higher level review from the contractor business systems review panel prior to notifying the contractor in writing that the system is disapproved. The ACO shall submit, via email to the "HQ CBS Panel In-Box" (HQCBSPanelInBox@dcma.mil), a chronology of events leading to the proposed final determination, a copy of the functional specialist or auditor report, the contractor's response to the initial determination, and the proposed final determination letter, as approved by the CMO contracts director and/or the director of the CACO division of the Cost and Pricing Center. The package should include a memorandum for record with a timeline of actions taken. The most current procedural details regarding the review panel are contained in DCMA-INST 131 (Reference (g)).

3.4.3. Notification of Final Determination. The ACO shall issue a notice of final determination to the contractor. The ACO shall promptly distribute copies of a determination to approve a system, disapprove a system, and withhold payments or future plan to withhold payments (if DFARS 252.242-7005 is not included in a contract awarded to the contractor), or approve a previously disapproved system and release withheld payments. The recipients of the notice are DCAA, payment office, affected contracting officers at the buying activities, and cognizant contracting offices at each contracting activity that has substantial business with the contractor. CBAR eTool shall be updated to reflect the current status of the system.

3.4.4. Monitor Contractor Corrective Action. The ACO, in consultation with the functional specialists, shall monitor the contractor's progress in correcting deficiencies in accordance with DCMA-INST 131 (Reference (g)). If the contractor fails to make adequate progress, the ACO shall take appropriate action to ensure that the contractor corrects the deficiencies. Examples of actions the ACO can take are:

- Withdrawing or withholding approval of the system
- Bringing the issue to the attention of higher-level management
- Implementing or increasing the withholding
- Recommending non-award of potential contracts

### **3.5. APPROVAL OF THE SYSTEM.**

3.5.1. The contractor must notify the ACO when the contractor determines that all significant deficiencies have been corrected. The ACO shall review the contractor's corrective actions in consultation with DCAA or functional specialists. The ACO will withdraw the system

disapproval by issuing an approval letter when the ACO determines that the contractor has corrected the significant system deficiencies. The ACO will notify the contractor, the auditor, and affected contracting activities of the withdrawal.

3.5.2. The ACO shall obtain concurrence/non-concurrence of withdrawal by the CMO contracts director or CACO group director/supervisor before issuing the letter. The CMO director may delegate this action to a level no lower than a contract team supervisor/leader. The CBAR eTool shall be updated to reflect the current status of the system.

**3.6. OTHER-THAN-LARGE-BUSINESS CONTRACTORS.** The ACO shall ensure all contractors have an acceptable estimating system if the contractor has a contract including a clause at DFARS 252.215-7002(b) (Reference (e)).

3.6.1. The other-than-large-business contractors are not subject to the disclosure, maintenance, and review requirement. However, the other-than-large-business contractors shall provide a system that:

3.6.1.1. Is maintained, reliable, and consistently applied.

3.6.1.2. Produces verifiable, supportable, documented, and timely cost estimates that are an acceptable basis for negotiation of fair and reasonable prices.

3.6.1.3. Is consistent with and integrated with the contractor's related management systems.

3.6.1.4. Is subject to applicable financial control systems in accordance with DFARS 252.215-7002(a) (Reference (e)).

3.6.2. The ACO will determine the level of review required for other-than-large-business-contractors' estimating systems. The ACO will determine whether the contractors' system meet the four conditions based on experience with proposals submitted by the contractor and input from customers or functional specialists since these contractors are not subject to disclosure, maintenance, and review requirements. If the ACO receives a DCAA pricing proposal audit report addressing the status of contractor's estimating system, the ACO shall incorporate the results of the DCAA audit into the ACO's determination of the contractor's estimating system approval.

3.6.3. Tables 1 and 2 describe the categories and requirements for contractors. The contractors can be categorized by the conditions stated in Table 1.

**Table 1. Contractor’s Category**

Category	Contractor A	Contractor B	Contractor C	Contractor D
<b>DFARS 252.215-7002 (Threshold \$700K) <sup>1</sup></b>	No	Yes	Yes	Yes
<b>&gt; \$10M<sup>2</sup></b>	No	No	Yes	Yes
<b>&gt; \$50M<sup>3</sup></b>	No	No	No	Yes

**NOTE:**

1. Does the contractor’s contract have DFARS 252.215-7002, Cost Estimating System Requirements, which are required for all contracts awarded on the basis of certified cost or pricing data? The current threshold for obtaining certified cost or pricing data is \$700,000. However, ACOs shall ensure the threshold is current in accordance with FAR 15.403-4(a)(1) (Reference (k)).

2. In its preceding fiscal year, did the contractor receive DoD prime contracts or subcontracts totaling \$10 million or more (but less than \$50 million) for which certified cost or pricing data were required and the procuring contracting officer, with concurrence or at the request of the ACO, determined 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) (DFARS 252.215-7002(c)(2)(i)) to impose cost estimating system requirements?

3. In its preceding fiscal year, did the contractor receive DoD prime contracts or subcontracts totaling \$50 million or more for which certified cost or pricing were required (DFARS 252.215-7002(c)(1))?

3.6.4. The different requirements for each contractor are stated in Table 2.

**Table 2. Contractor's Requirement**

Category	Contractor A	Contractor B	Contractor C	Contractor D
<b>Four Conditions<sup>1</sup></b>	No	Yes	Yes	Yes
<b>System Requirements<sup>2</sup></b>	No	No	Yes or No	Yes
<b>CBAR Report (Approved or Disapproved)</b>	Not Applicable	Approved or Disapproved	Approved or Disapproved	Approved or Disapproved
<b>Evaluation</b>	The KR's estimating system will be reviewed when a proposal is submitted.	Review the KR's estimating system based on the Four Conditions	Review the KR's estimating system based on either the Four Conditions or System Requirement/Four Conditions.	Review the four conditions and System Requirement

**NOTE:**

1. DFARS 252.215-7002(a) states the four conditions of acceptable estimating system. How to determine if the contractor's estimating system meets the four conditions is at the ACO's judgment or discretion.
2. DFARS 252.215-7002(e) states the details of the "System Requirements."

**3.7. RETENTION OF RECORDS.**

3.7.1. According to the DCMA Records Schedule, records related to the implementation of price/cost and financial analysis, and contractor systems reviews shall be retained for a minimum of 6 years and 3 months after completion of the contract, or final payment or termination of the program effort, or settlement of disputes/incidents, whichever is later. Retention of the file documentation is the responsibility of the ACOs, the CMO contracts directors, and the CACO group directors/supervisors.

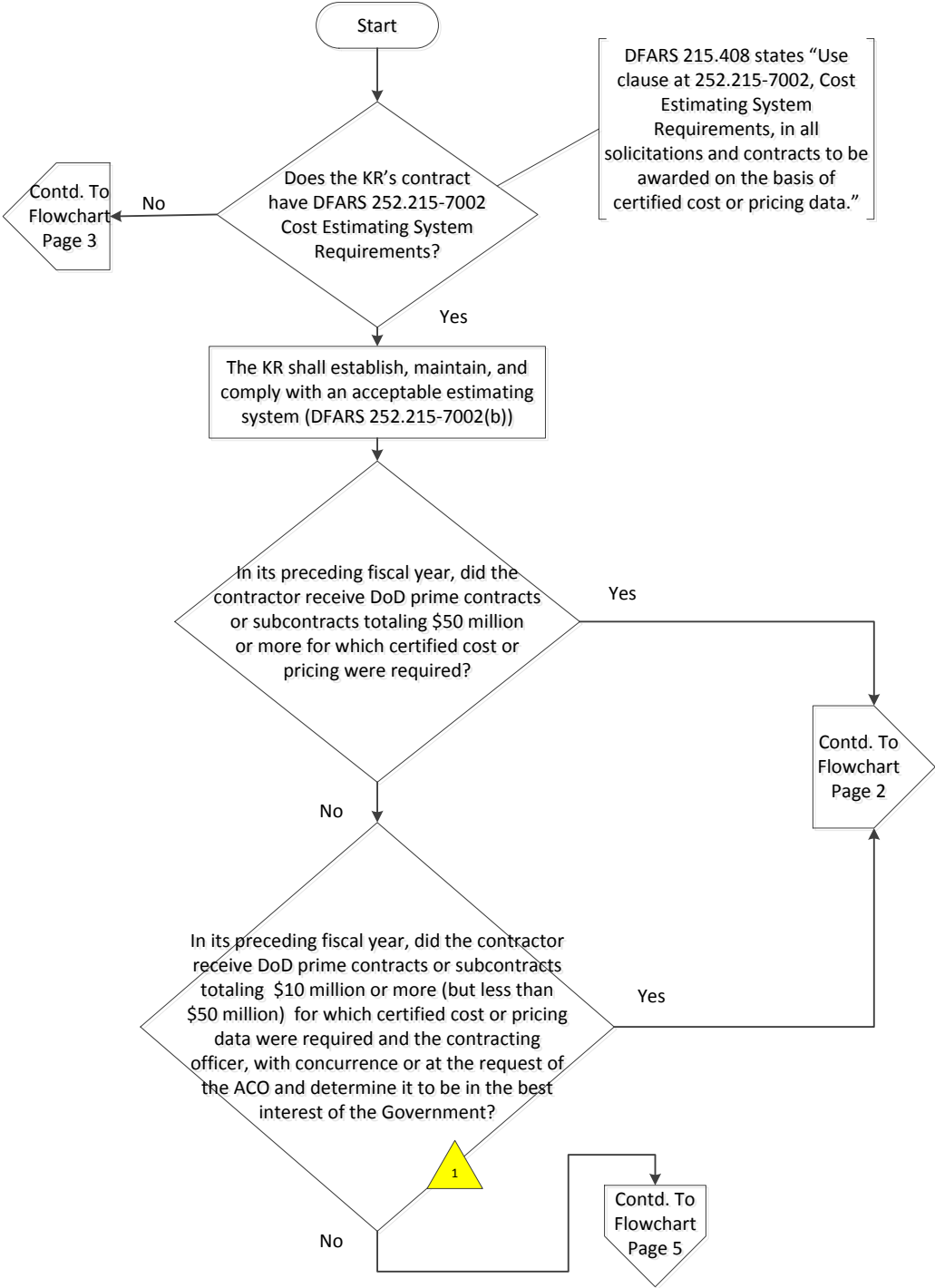
3.7.2. DCMA INST-809, "Records Management" (Reference (1)) provides an orderly system for organizing records for filing and eventual disposition. The ACO is responsible for complying with the records management requirements. The work product shall be stored using a naming convention that will allow for its logical retrieval and shall be stored in a specific location identified by the component or in accordance with Agency direction. If documents relating to a case are too large to upload electronically, the uploaded location will cite a specific location where the hard copy documents/disk will be stored. It will be a location sanctioned by the component for the retention of records conforming to DCMA policy on retention of records.

Electronic Document Workflow application or an Agency directed replacement is the preferred location.

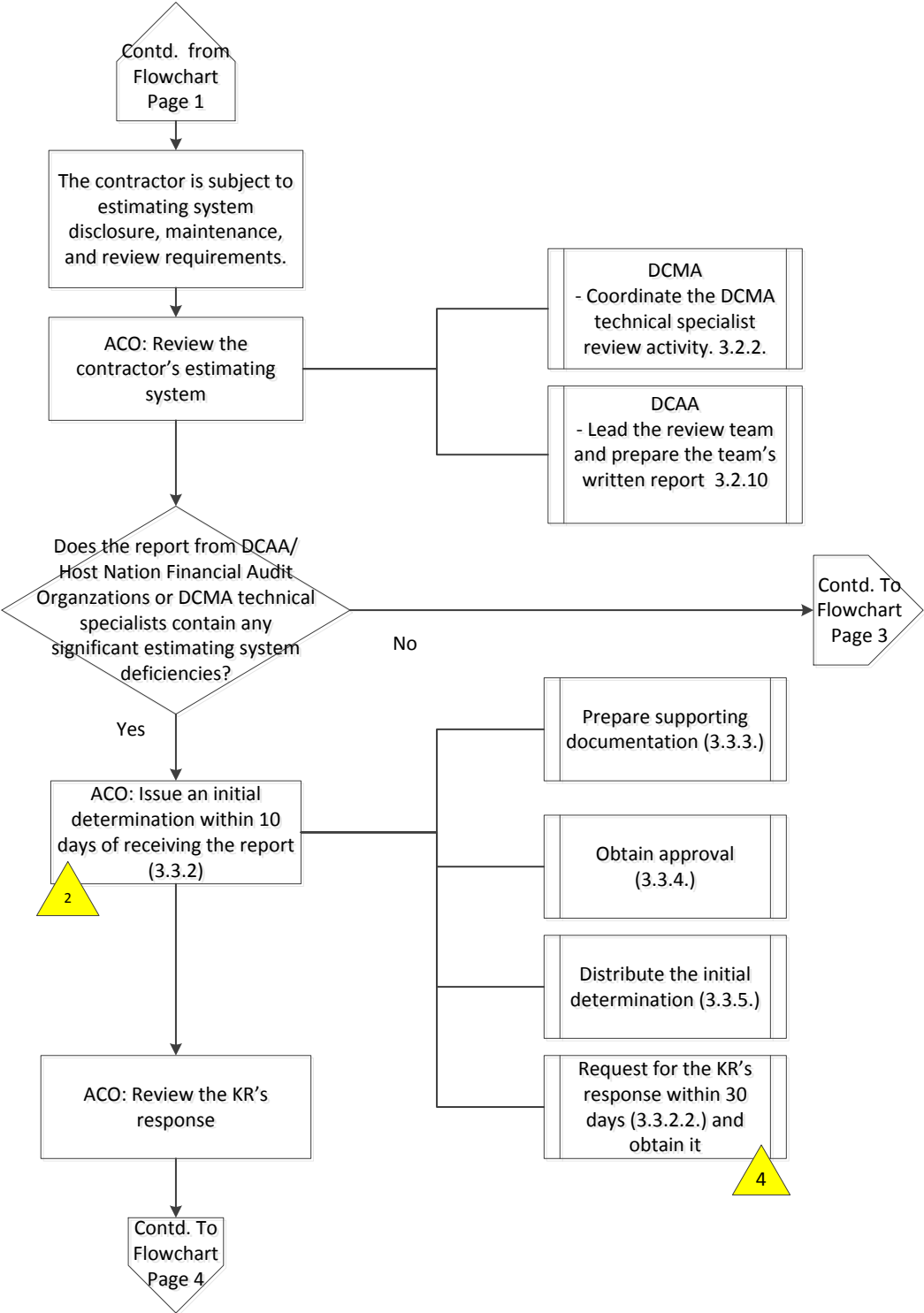


APPENDIX A

ESTIMATING SYSTEM REVIEW PROCESS FLOWCHARTS

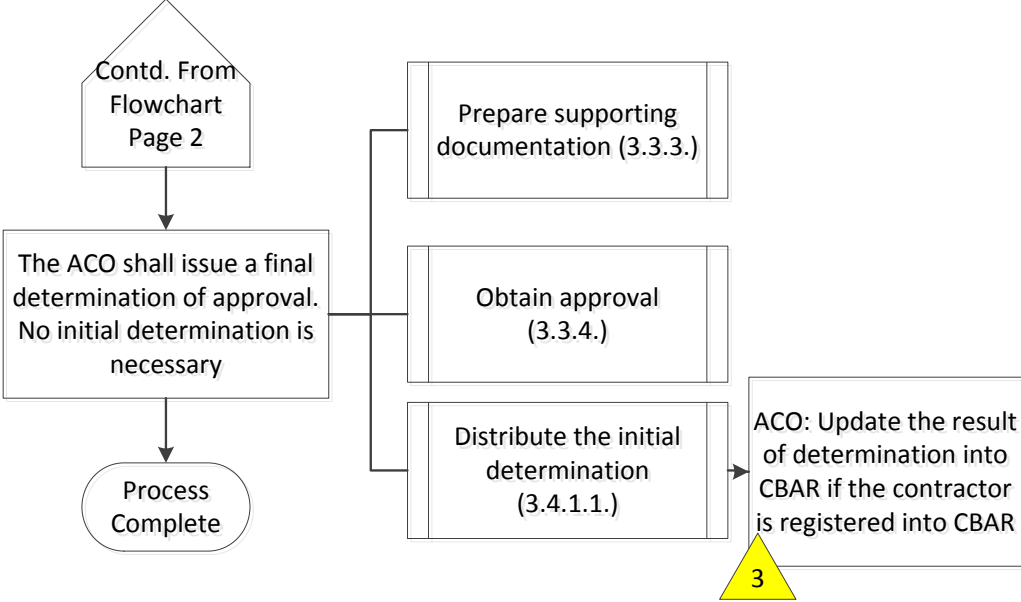
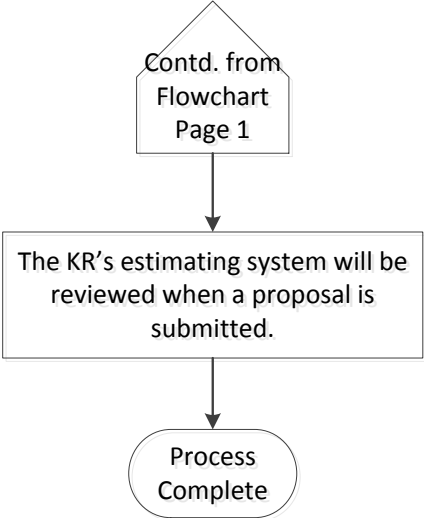


**ESTIMATING SYSTEM REVIEW PROCESS FLOWCHARTS**



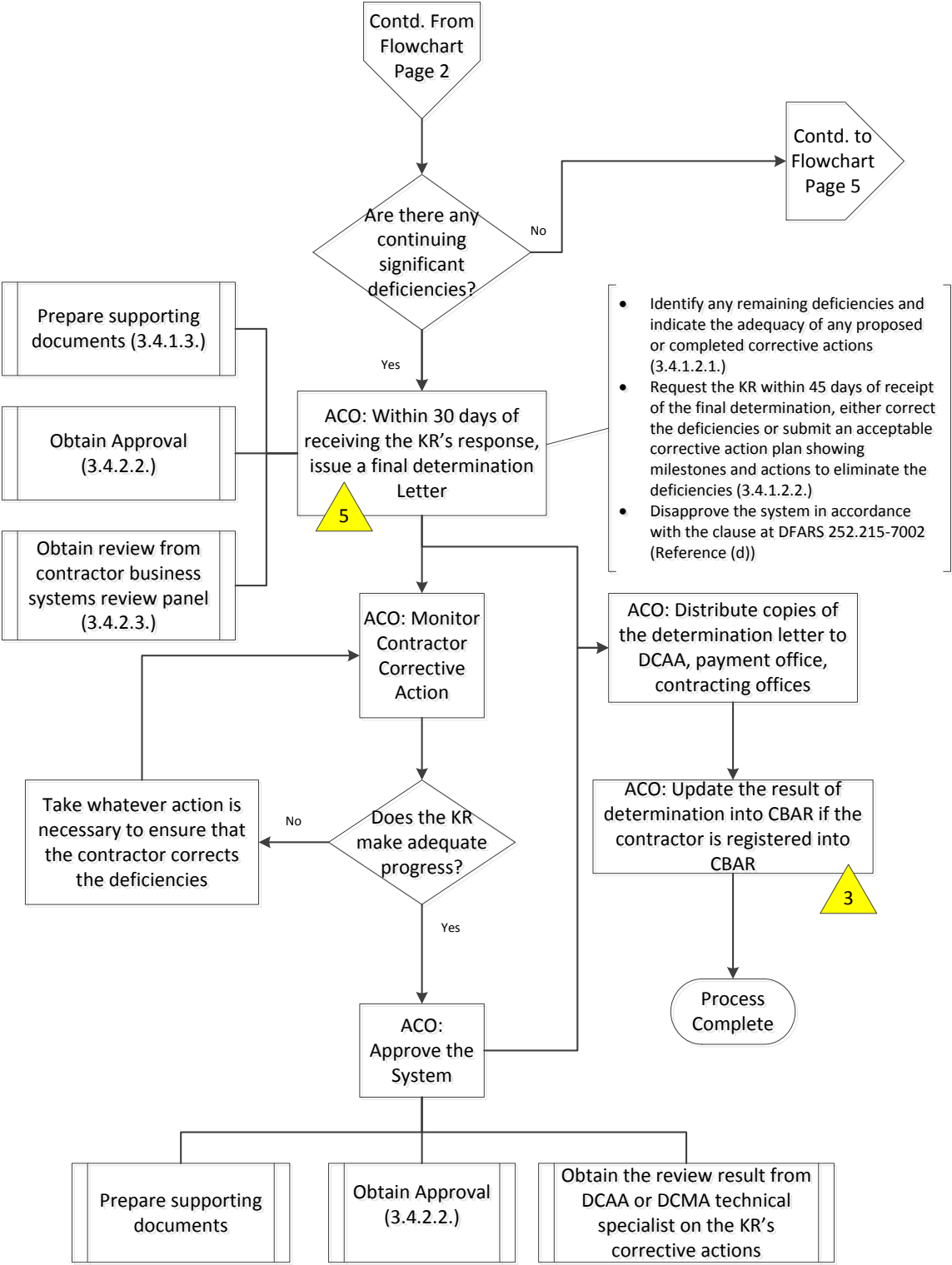
Flowchart Page 2

**ESTIMATING SYSTEM REVIEW PROCESS FLOWCHARTS**



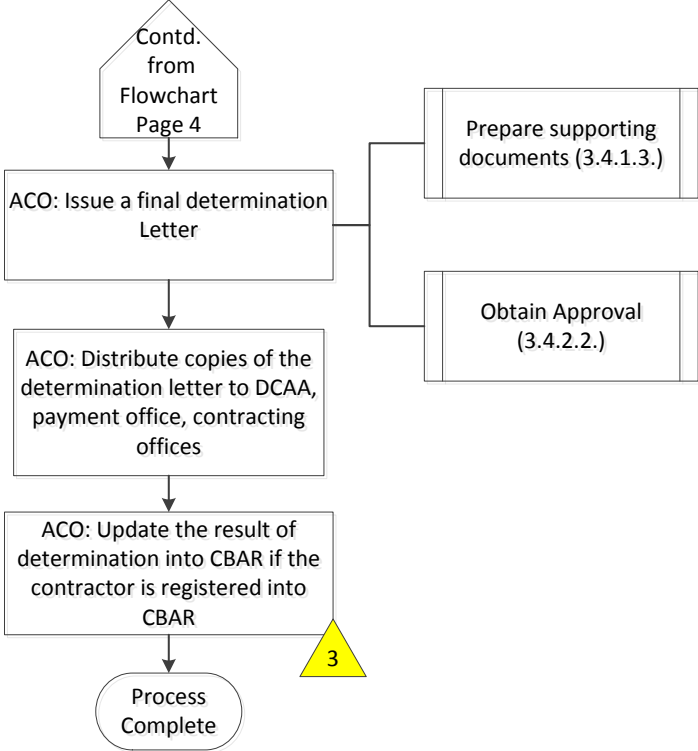
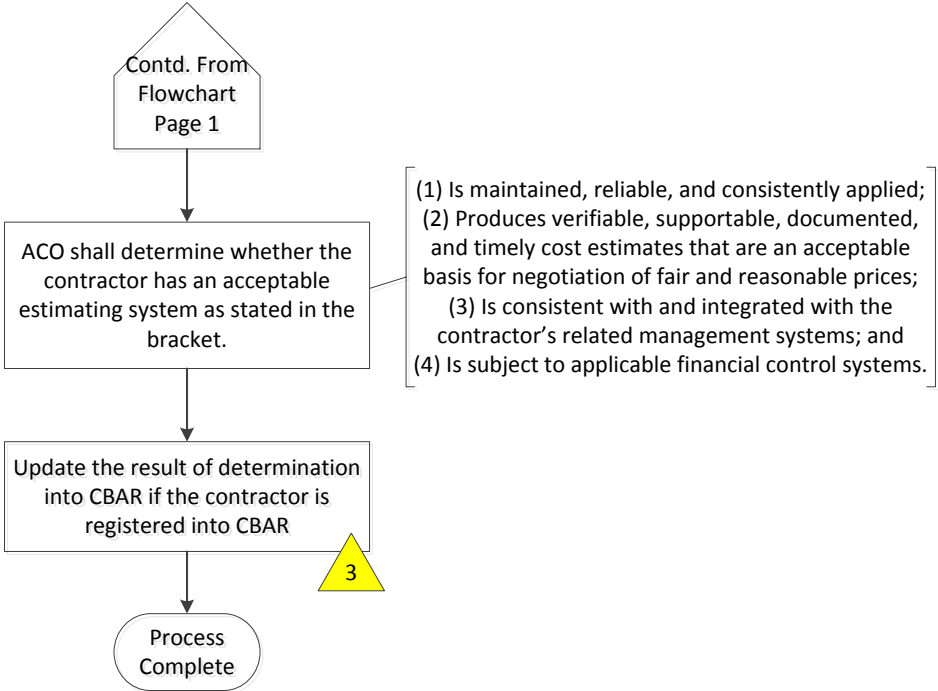
Flowchart Page 3

**ESTIMATING SYSTEM REVIEW PROCESS FLOWCHARTS**



Flowchart Page 4

**ESTIMATING SYSTEM REVIEW PROCESS FLOWCHARTS**



**ESTIMATING SYSTEM REVIEW KEY CONTROL CHART**

<b>Key Control</b>	<b>Functional Area</b>	<b>Risk</b>	<b>Possible Controls</b>
<b>1</b>	– Compliance: Determine whether to apply the disclosure, maintenance, and review requirements to the contractor who received less than \$50 million but above \$10 million contract	– The high risk contractor bypasses the requirements – By imposing the requirements to the low risk contractor, the Government places unnecessary burden to the contractors	– Comprehensive risk assessment and appropriate supervision process should be performed.
<b>2</b>	– Timeliness: Issue an initial determination letter within 10 days of receiving the reports from DCAA/Host Nation Financial Audit or DCMA functional specialists	– Failure to issue the letter within 10 days will permit condition to continue without exception. – Potential overpricing	– Management review of CBAR – Tracking of audits in CAFU
<b>3</b>	– Information and Communication :Update the result of determination into CBAR if the contractor is registered in CBAR	– Failure to update the determination into CBAR – Customers might not reflect the result of the determination into their procurement process	– Monthly management review of CBAR and CAFU
<b>4</b>	– Timeliness: Request for the KR’s response within 30 days (3.3.2.2.) and obtain it	– Unacceptable estimating practices continue and excessive prices could be negotiated	– Request the acknowledgment email or letter from the contractor when they receive the initial determination letter. The acknowledgment correspondence should contain the expected due date and the ACO should follow up the status of the response when the expected due date is passed.
<b>5</b>	– Timeliness and Accountability: Within 30 days of receiving the KR’s response, issue a final determination Letter	– Unchecked, unacceptable significant deficiencies	– Monthly review of audits in CAFU.

## GLOSSARY

### DEFINITIONS

**Acceptable Estimating System.** An estimating system that complies with the system criteria and provides for a system in accordance with DFARS 252.215-7002(a) (Reference (e)).

**Estimating System.** The contractor's policies, procedures, and practices for budgeting and planning controls, and generating estimates of costs and other data included in proposals submitted to customers in the expectation of receiving contract awards. Estimating system includes the contractor's:

- (1) Organizational structure.
- (2) Established lines of authority, duties, and responsibilities.
- (3) Internal controls and managerial reviews.
- (4) Flow of work, coordination, and communication.
- (5) Budgeting, planning, estimating methods, techniques, accumulation of historical costs, and other analyses used to generate cost estimates in accordance with DFARS 252.215-7002(a) (Reference (e)).

**Significant Deficiency.** A shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon data and information produced by the system that is needed for management purposes in accordance with DFARS 252.215-7002(a) (Reference (e)).

**Large Business Contractor.** A contractor subject to estimating system disclosure, maintenance, and review requirement as stated in DFARS 215.407-5-70(b)(2) (Reference (d)).

**Other-Than-Large-Business Contractor.** A contractor that is not a large business contractor.

## GLOSSARY

### ACRONYMS

ACO	administrative contracting officer
BOR	boards of review
CACO	corporate administrative contracting officer
CAFU	Contract Audit Follow Up
CBAR	Contract Business Analysis Repository
CM	cost monitor
CMO	contract management office
DACO	divisional administrative contracting officer
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
KR	contractor
OPR	office of primary responsibility
PGI	procedures, guidance, and information
PLAS	Performance Labor Accounting System