

DFARS Procedures, Guidance, and Information

PGI 242—Contract Administration and Audit Services

(Added February 23, 2006)

PGI 242.73--CONTRACTOR INSURANCE/PENSION REVIEW

PGI 242.7302 Requirements.

(1)(i) An in-depth CIPR as described at DFARS 242.7301(a)(1) shall be conducted only when—

(A) A contractor has \$50 million of qualifying sales to the Government during the contractor's preceding fiscal year; and

(B) The ACO, with advice from DCMA insurance/pension specialists and DCAA auditors, determines a CIPR is needed based on a risk assessment of the contractor's past experience and current vulnerability.

(ii) Qualifying sales are sales for which cost or pricing data were required under 10 U.S.C. 2306a, as implemented in FAR 15.403, or that are contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis. Sales include prime contracts, subcontracts, and modifications to such contracts and subcontracts.

(2) A special CIPR that concentrates on specific areas of a contractor's insurance programs, pension plans, or other deferred compensation plans shall be performed for a contractor (including, but not limited to, a contractor meeting the requirements in paragraph (1) of this section) when any of the following circumstances exists, but only if the circumstance(s) may result in a material impact on Government contract costs:

(i) Information reveals a deficiency in the contractor's insurance/pension program.

(ii) The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.

(iii) The contractor is involved in a merger, acquisition, or divestiture.

(iv) The Government needs to follow up on contractor implementation of prior CIPR recommendations.

(3) The DCAA auditor shall use relevant findings and recommendations of previously performed CIPRs in determining the scope of any audits of insurance and pension costs.

(4) When a Government organization believes that a review of the contractor's insurance/pension program should be performed, that organization should provide a recommendation for a review to the ACO. If the ACO concurs, the review should be

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performed as part of an ACO-initiated special CIPR or as part of a CIPR already scheduled for the near future.

PGI 242.7303 Responsibilities.

(1) The ACO is responsible for—

(i) Determining the need for a CIPR in accordance with the procedures at PGI 242.7302;

(ii) Requesting and scheduling the reviews with the appropriate DCMA activity;

(iii) Notifying the contractor of the proposed date and purpose of the review, and obtaining any preliminary data needed by the DCMA insurance/pension specialist or the DCAA auditor;

(iv) Reviewing the CIPR report, advising the contractor of the recommendations contained within the report, considering contractor comments, and rendering a decision based on those recommendations;

(v) Providing other interested contracting officers copies of documents related to the CIPR;

(vi) Ensuring adequate follow-up on all CIPR recommendations; and

(vii) Performing contract administration responsibilities related to Cost Accounting Standards administration as described in FAR Subparts 30.2 and 30.6.

(2) The DCMA insurance/pension specialist is responsible for—

(i) Issuing a technical report on the contractor's insurance/pension plans for incorporation into the final CIPR report based on an analysis of the contractor's pension plans, insurance programs, and other related data;

(ii) Leading the team that conducts the review. Another individual may serve as the team leader when both the insurance/pension specialist and that individual agree. The team leader is responsible for—

(A) Maintaining complete documentation for CIPR reports;

(B) To the extent possible, resolving discrepancies between audit reports and CIPR draft reports prior to releasing the final CIPR report;

(C) Preparing and distributing the final CIPR report;

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(D) Providing the final audit report and/or the insurance/pension specialist's report as an attachment to the CIPR report; and

(E) Preparing a draft letter for the administrative contracting officer's use in notifying the contractor of CIPR results; and

(iii) When requested, advising administrative contracting officers and other Government representatives concerning contractor insurance/pension matters.

(3) The DCAA auditor is responsible for—

(i) Participating as a member of the CIPR team or serving as the team leader (see paragraph (2)(ii) of this section);

(ii) Issuing an audit report for incorporation into the final CIPR report based on an analysis of the contractor's books, accounting records, and other related data; and

(iii) Performing contract audit responsibilities related to Cost Accounting Standards administration as described in FAR Subparts 30.2 and 30.6.