



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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ACQUISITION AND
TECHNOLOGY

DP (DAR)

In reply refer to
DFARS Case: 97-D012
D. L. 98-017

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN (RD&A) / ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Contractor Insurance/Pension Reviews (CIPRs)

We have amended the Defense Federal Acquisition Regulation Supplement (DFARS) to clarify requirements for conducting a CIPR, to eliminate the requirement for conducting a CIPR at least every 2 years, and to require a special CIPR only under certain circumstances.

The attached final DFARS rule is effective immediately and will be published in a future Defense Acquisition Circular.

Eleanor R. Spector
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir



DFARS Case 97-D012, Contractor Insurance/Pension Reviews
Final rule

242.7300 Scope of subpart.

This subpart provides the requirements for conducting a Contractor Insurance/Pension Review (CIPR).

242.7301 General.

- (a) The administrative contracting officer (ACO) is responsible for determining the ~~reasonableness~~ **[allowability]** of insurance/pension costs in Government contracts. **[Defense Logistics Agency (DLA)]** ~~and~~ **[i] insurance/pension specialists [and Defense Contract Audit Agency (DCAA) auditors]** assist ACOs in making these determinations by conducting CIPRs.

[(1)] A CIPR is an in-depth evaluation of a contractor's--

- ~~(1)~~**[(i)]** Insurance program;
- ~~(2)~~**[(ii)]** Pension plans;
- ~~(3)~~**[(iii)]** Other deferred compensation plans; and
- ~~(4)~~**[(iv)]** Related policies, procedures, practices, and costs.

[(2)] A special CIPR is a joint DLA/DCAA review that concentrates on specific areas of the contractor's insurance program, pension plan, or other deferred compensation plan.]

- ~~(b) As the DoD Executive Agency, the Defense Logistics Agency performs CIPRs at all contractor locations meeting criteria in 242.7302. [DLA is the DoD Executive Agency for the performance of all CIPRs conducted under 242.7302].~~
- ~~(c) Insurance/pension specialists are located at the Defense Contract Management Districts in Los Angeles and Chicago and at the Defense Contract Management Area Operations in New York.~~
- ~~(d) The CIPR should be the only formal review of a contractor's insurance/pension program except for periodic tests of the system performed by contract administration and DCAA, or any special reviews initiated by the administrative contracting officer. If any organization believes that additional reviews of the contractor's insurance/pension program should be performed, that request should be conveyed to the ACO. The ACO should perform the review as part of an ACO-initiated special review, or if possible, as part of the CIPR if one is scheduled to be conducted in the near future.~~

242.7302 Requirements.

- (a)**[(1)]** A CIPR shall be conducted **[only when--**
- (i) A contractor has \$40 million of qualifying sales to the Government during the contractor's preceding fiscal year; and**

(ii) **The ACO, with advice from DLA 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].** ~~for each contractor whose qualifying sales to the Government exceeded \$40 million during the contractor's preceding fiscal year.~~

[(2)] Qualifying sales are sales for which ~~certified cost or pricing data were required under 10 U.S.C. 2306[a], as implemented in FAR 15.804 (unless exempt in accordance with FAR 15.804-3)~~ **[FAR 15.403]**, or which ~~[that] are cost-reimbursement type 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.

~~(b) A CIPR shall be conducted at least every 2 years for contractors who continue to meet the requirements. A more or less frequent cycle may be appropriate under certain circumstances, e.g., prior to a major contract award, in conjunction with in-depth overhead review, or subsequent to mergers or divestitures.~~

[(b)] A special CIPR shall be performed for a contractor (including, but not limited to, a contractor meeting the requirements in paragraph (a) 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:

- (1) Information reveals a deficiency in the contractor's insurance/pension program.**
- (2) The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.**
- (3) The contractor is involved in a merger, acquisition, or divestiture.**
- (4) The Government needs to follow up on contractor implementation of prior CIPR recommendations.]**

~~(e) Special reviews may be performed in the intervening period—~~

- ~~(1) To follow up contractor implementation of recommendations and verify Government recovery of credits; or~~
- ~~(2) When information reveals a deficiency or major change in the contractor's insurance/pension program.~~

[(c)] 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.]

~~(d) Reviews of selected insurance and pension elements may be conducted for contractors not meeting the criteria in paragraph (a) of this section if significant problems have been identified.~~

[(d) 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 performed as part of an ACO-initiated special CIPR or as part of a CIPR already scheduled for the near future.]

242.7303 Responsibilities.

(a) The ~~administrative contracting officer~~[ACO] is responsible for--

- (1) Determining the need for a CIPR ~~or special review~~ under 242.7302;
- (2) Requesting and scheduling the reviews with the appropriate ~~Defense Logistics Agency~~ [DLA] activity;
- (3) Notifying the contractor of the proposed date and purpose of the review, and obtaining any preliminary data needed by the [DLA] insurance/pension specialist **[or the DCAA auditor]**;
- (4) Reviewing the CIPR report, advising the contractor of the ~~results, and telling the contractor to submit any significant changes in insurance/pension plans for review and acceptance prior to making the change;~~ **[recommendations contained therein, considering contractor comments, and rendering a decision on those recommendations]**;
- (5) Providing other interested contracting officers copies of documents related to the CIPR; ~~and~~
- (6) Ensuring adequate follow-up on all CIPR recommendations-~~;~~ **and**
- (7) **Performing contract administration responsibilities related to Cost Accounting Standards administration as described in FAR Subparts 30.2 and 30.6.]**

(b) The [DLA] insurance/pension specialist is responsible for--

- (1) Preparing and maintaining the schedule of CIPRs to be performed during the next 12 months and providing the military departments and ~~Defense Contract Audit Agency~~ [DCAA] a copy of the schedule;
- [(2) 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 program, insurance program, and other related data;]**
- ~~(2)~~**[(3) Heading [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--]**
- ~~(3)~~**[(i)] Maintaining complete documentation for CIPR reports;**

- ~~(4)~~**[(ii)]** To the extent possible, resolving discrepancies between audit reports and CIPR draft reports prior to releasing the final CIPR report;
 - ~~(5)~~**[(iii)]** Preparing and distributing the final CIPR report;
 - ~~(6)~~**[(iv)]** Providing the final audit report **[and/or the insurance/pension specialist's report]** as an attachment to the CIPR report; **[and]**
 - ~~(7)~~**[(v)]** Preparing a draft letter for the administrative contracting officer's use in notifying the contractor of CIPR results; and
 - ~~(8)~~**[(4)]** When requested, advising administrative contracting officers and other Government representatives concerning contractor insurance/pension matters.
- (c) ~~The Defense Contract Audit Agency auditor~~**[The DCAA auditor]** is responsible for--
- (1) Participating as a member of the CIPR team **[or serving as the team leader (see paragraph (b)(3) of this section)]**;
 - ~~(2) Submitting information and advice to the team based on analysis of the contractor's books, accounting records, and other related data; and~~
 - ~~(3)~~**[(2)]** Issuing an audit report ~~to the insurance/pension specialist~~ for incorporation into the final CIPR report **[based on an analysis of the contractor's books, accounting records, and other related data; and**
 - (3) Performing contract audit responsibilities related to Cost Accounting Standards administration as described in FAR Subparts 30.2 and 30.6].**