

MASTER AUDIT PROGRAM

<b>C-1</b>	<b>Establishment of Provisional Billing Rates</b>
<b>Version 2.0, dated July 2020</b>	
<b>Purpose and Scope</b>	
<p>1. The purpose of this advisory service is to establish or adjust provisional billing rates as required by FAR 42.704, Billing Rates. This program may be used when:</p> <ul style="list-style-type: none"> <li>• Contractor’s indirect rates are audit determined and DCAA is establishing provisional billing rates for the fiscal year, or</li> <li>• DCAA is requested by the Cognizant Federal Agency Official (CFAO) to assist with establishing or adjusting the contractor’s provisional billing rates for the fiscal year (additional steps may need to be added if requested by CFAO, see CAM references below for agency guidance), or</li> <li>• DCAA’s established provisional billing rates need to be adjusted during the fiscal year based on significant changes at the contractor that are impacting the current provisional billing rates on file.</li> </ul> <p><i>Note – In the event the contractor has not submitted a provisional billing rates package, the auditor and supervisor should determine the most appropriate method for calculating the contractor’s provisional billing rates. For example, you may agree to use the most recent audited actuals adjusted for current level of awards. You will need to coordinate with the ACO to confirm if any new awards are expected.</i></p>	
<p>2. The scope of work performed in this advisory service does <b>not</b> constitute an audit or attestation engagement in accordance with GAGAS. We will <b>not</b> be providing verification of contractor amounts to books and records.</p>	
<p>3. Provisional billing rates should be established timely and FAOs should <b>not</b> wait for the contractor to submit provisional billing rates to establish provisional billing rates for the new fiscal year.</p>	
<p>4. Provisional billing rates are an estimate and should be approximately equal to the expected final indirect cost rates adjusted for anticipated unallowable costs and new contract awards.</p>	
<b>Other Considerations</b>	
<p>If the CFAO has already established provisional billing rates, this assignment should not be opened. A copy of CFAO’s letter with established provisional billing rates should be placed in the Perm File and used for interim voucher processing.</p> <p>If the contractor submits forward pricing rate proposals (FPRP) and the CFAO establishes provisional billing rates based on this FPRP submission, this assignment should not be opened.</p>	
<b>References:</b>	
1. CAM 6-705.1 Provisional Billing Rates	
2. CAM 6-705.2a Interim Indirect Cost Billing Adjustment	
3. FAR 42.704 Billing Rates	

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4. FAR 52.216-7 Allowable Cost and Payment	
<b>C-1 Provisional Billing Rates Detailed Steps</b>	<b>WP Reference</b>
Steps for Establishing the Rates – Contractor Current Fiscal Year	
1. Notify the contractor you are initiating the process of establishing provisional billing rates or adjusting the current provisional billing rates based on recent contractor changes.	
2. Perform a mathematical accuracy check.	
3. Perform a nomenclature review and scan for Unallowable Cost per FAR 31.205 included in the pools. If Unallowable Costs are identified, discuss with the contractor and consider adjusting the rates accordingly.	
4. Compare the projected indirect costs and bases to the prior year actuals to determine any significant variances. If so, do the contractor’s explanations make sense?	
5. Review the FAO perm files for relevant information, to include anticipated changes in business volume, changes in accounting practices, any organization changes, changes in policies and procedures impacting the indirect costs, questioned costs from recent incurred cost audits, and any other data which may impact provisional billing rates. Discuss with contractor and consider adjusting rates accordingly.	
6. Compare prior year provisional billing rates to prior year actuals to determine any significant differences. If contractor has history of over/under billing, consider adjusting rates accordingly.	
7. Summarize what the procedures above have disclosed and calculate the provisional billing rates.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
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1.	Summarize the results	
2.	Prepare the draft letter for the contractor or a draft memorandum for the CFAO, whichever is applicable.	
3.	Obtain supervisory review.	
4.	Discuss results with the contractor.	
5.	Update permanent file after letter/memorandum is issued.	