

DCAA MEMORANDUM FOR REGIONAL DIRECTORS COVER SHEET			
AUDIT GUIDANCE/AUDIT MANAGEMENT GUIDANCE MEMORANDUM NO.		August 26, 2013	
Date of MRD:		13-PSP-020(R)	
Subject of MRD:		Introduction of the New DFARS Proposal Adequacy Checklist	
Current Audit Guidance and/or Audit Management Guidance Affected:			
CAM			
Paragraph	Explanation of Effect on Current Version of CAM		
15-304.4c., 9-103.1b.	Revision source, name and location of new checklist		
AUDIT PROGRAMS			
5 Digit Activity Code	Subactivity/Document Name	Step No.	Explanation of Effect on Current Audit Program
21000, 27010	Price Proposal Audit Program, Cost Realism Audit Program	B-1, 3.	Revision to name and location of the Proposal Adequacy Checklist
OAG	Criteria For Adequate Contract Pricing Proposals (Adequacy.doc)		Deactivation
OAG	Proposal Adequacy Checklist.doc		New Implementation
SHELL AUDIT REPORTS			
5 Digit Activity Code	Subactivity/Document Name	Sec./Par.	Explanation of Effect on Current Audit Report
NONE			
MEMORANDUMS FOR REGIONAL DIRECTORS			
MRD No.	Date	Subject/Explanation of Change	
NONE			
INTERNAL CONTROL QUESTIONNAIRE/INTERNAL CONTROL MATRIX/INTERNAL CONTROL AUDIT PLANNING SUMMARY			
ICQ/ICM/ICAPS	Section & No.	State Control(s) Affected by the Change	
NONE			
DCAA PAMPHLETS/REGULATIONS/INSTRUCTIONS			
DCAAP/R/I/No.	Date	Page/Sec./Par.	Explanation of Effect
NONE			
DMIS USER GUIDE			
NONE		Explanation of Effect	

CLOSED



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IN REPLY REFER TO

PSP 730.5.1.A/2013-009

August 26, 2013  
13-PSP-020(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA  
HEADS OF PRINCIPAL STAFF ELEMENTS, HQ, DCAA

SUBJECT: Introduction of the New DFARS Proposal Adequacy Checklist

On March 28, 2013, DoD added a new DFARS Proposal Adequacy Checklist at DFARS 215.408(6). This change requires the inclusion of DFARS 252.215-7009 in solicitations requiring the submission of certified cost or pricing data. The solicitation provision requires contractors to complete the Proposal Adequacy Checklist (DFARS checklist) and submit it with their proposal. Auditors may have begun to see contractor-completed DFARS checklists during proposal evaluation. Accordingly, we have updated APPS and the DCAA Intranet (Other Audit Guidance (OAG) page) to support the use of the new DFARS checklist. We also made available an optional version of the DFARS checklist with modified columns to assist auditors with documenting the contractor's compliance with the DFARS requirements for an adequate proposal (Enclosure 1). The DCAA Criteria for Adequate Contract Pricing Proposals (Adequacy.doc) has been retired and will no longer be available. CAM changes will occur once the CAM Chapter 9 rewrite project is complete.

**Why did DoD make this change?**

The Department's Panel on Contracting Integrity established the DFARS checklist to consolidate existing regulatory requirements into a common checklist to communicate adequate proposal expectations to contractors, with the expected benefit being a reduced number of inadequate proposals, thereby making the acquisition process more efficient.

**How should I use the contractor completed checklist?**

Auditors should review the contractor-completed checklist accompanying the proposal and document concerns and noncompliances identified. When significant noncompliances exist, auditors should coordinate with the contracting officer and contractor, as described in CAM 9-205. Auditors should document their assessment of the contractor's compliance with the DFARS requirements for adequate proposals and its impact on the audit in the planning section of the working papers.

PSP 730.5.1.A/2013-009

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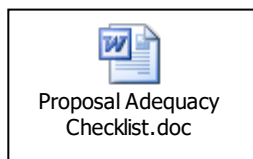
## Questions and Further Information

We have attached frequently asked questions (FAQ) (Enclosure 2) to this memorandum. FAO personnel should direct questions regarding this memorandum to their regional offices and regional personnel should direct any questions to Mr. Michael Ruffalo, Program Manager, Pricing and Special Projects Division at 901-874-7052 or e-mail at [DCAA-PSP@dcaa.mil](mailto:DCAA-PSP@dcaa.mil).

/Signed/  
Donald J. McKenzie  
Assistant Director  
Policy and Plans

Enclosures: 2

1. DCAA modified version of DFARS Proposal Adequacy Checklist



2. Frequently Asked Questions

DISTRIBUTION: E

## FREQUENTLY ASKED QUESTIONS

**Question 1:** If the contractor fails to complete and submit the DFARS checklist with its proposal, should the proposal be determined inadequate and returned to the contractor?

**Answer:** It depends. The auditor should alert the contracting officer to the omission of the DFARS checklist and coordinate as to the best course of action to support the on-going acquisition. If it is determined that the audit should proceed, the auditor should perform an independent assessment of the contractor submission using the DFARS checklist requirements to determine whether the proposal is adequate. If the contractor systemically fails to provide a completed checklist with its proposals, the auditor should consider issuing an estimating system deficiency report.

**Question 2:** Are subcontractors required to use the DFARS checklist?

**Answer:** It depends. The DFARS solicitation provision does not automatically flow down to the subcontractors. However, the prime contractor may elect to have their prospective subcontractors use the same or similar checklist, DFARS reminds contractors of this option. The auditor needs to review the request for proposal issued from the prime to the subcontractor to determine if the checklist is required.

**Question 3:** Do 1 or 2 inadequacies (i.e., “no” answers) mean the overall proposal is inadequate?

**Answer:** It depends on the significance of the noncompliance(s). Multiple “no” answers can result in an overall adequate proposal. Or multiple “no” answers can render the proposal inadequate. The auditor should apply professional judgment in making this determination by considering the materiality and significance of the noncompliance(s) identified and their relationship to the overall proposal.

**Question 4:** How should we evaluate the lack of prime contractor cost or price analysis of subcontracts provided with the proposal?

**Answer:** The adequacy requirement contained in the DFARS checklist requires the contractor to provide a matrix identifying dates for receipt of subcontractor proposal, completion of fact finding for purposes of cost or price analysis, and submission of the cost or price analysis to the Government, when cost or price analysis was not submitted with the prime contract proposal. Provided that the submission of cost or price analysis to the Government occurs before negotiations, this can be acceptable for adequacy and negotiations purposes. However, the DFARS checklist does not relieve the prime contractor of its responsibilities under FAR. FAR 15.404-3(b), Subcontractor pricing considerations, requires the prime contractor to conduct appropriate cost or price analysis to establish the reasonableness of proposed subcontract prices and include the results of these analyses in the prime contractor’s proposal. Therefore, prime contract auditors should continue to cite the FAR noncompliance and report proposed subcontract costs as unsupported, less any questioned costs from an available subcontract assist audit, when the prime contractor has not completed its cost or price analysis of the subcontract proposal.

**Question 5:** Am I required to document my assessment of contractor compliance with the DFARS checklist using the modified DFARS checklist delivered with APPS?

**Answer:** No. Auditors should document their assessment of the contractor's compliance with the DFARS requirements for adequate proposal and its impact on the audit in the planning section of the working papers. This documentation can be accomplished in many different ways. We included the modified DFARS checklist in APPS in a similar format to the prior DCAA checklist to facilitate adequate documentation of auditor conclusions; however, we do not consider it to be the only acceptable documentation method.

**Question 6:** In the new DFARS checklist, where does the contractor identify necessary assist audits of subcontracts when subcontractors deny release of proprietary data to the prime contractor?

**Answer:** The contractor should identify and list the necessary assist audits of subcontractors in their response or refer to Question 15 of the checklist.

**Question 7:** Am I required to test for compliance with the Service Contract Labor Standards statute (Checklist Question 25), as part of determining proposal adequacy?

**Answer:** No. Auditors normally will substantiate proposed rates during fieldwork. The design and intent of the DFARS checklist questions were to assist the contractor in preparing a compliant proposal; therefore, the auditor must apply judgment when using the DFARS checklist.

**Question 8:** Am I supposed to test for compliance with FAR 52.232-28 during the proposal adequacy assessment when the contractor is proposing performance-based payments (Checklist Question 35)?

**Answer:** No, normally the auditor will perform the necessary tests during fieldwork. Again, the question's design was to ensure contractors ensure their compliance with FAR before proposal submission.