



**DEFENSE CONTRACT AUDIT AGENCY**  
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IN REPLY REFER TO

PSP 730.5.04

August 20, 2020  
20-PSP-004(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
CORPORATE AUDIT DIRECTORS, DCAA  
ASSISTANT DIRECTORS, HQ, DCAA

SUBJECT: Audit Alert on Update to the Bipartisan Budget Act of 2013 (BBA) Contractor Compensation Caps – Calendar Years (CY) 2019 and 2020

The Office of Federal Procurement Policy (OFPP) has not published the CY 2019 and 2020 compensation cap amounts on its website. However, OFPP has published the formula for computing the cap amounts. This formula allows anyone to compute new cap amounts as soon as the Bureau of Labor Statistics (BLS) releases the applicable Employment Cost Index (ECI) table and prior to OFPP formally publishing the new cap amounts on its website.

This audit alert provides updated Bipartisan Budget Act of 2013 (BBA) contractor compensation limitations (cap) amounts for calendar years (CY) 2019 and 2020. Auditors should use the following cap amounts in evaluating all contractor employee compensation costs proposed during CY 2019 and 2020, applicable to contracts awarded on or after June 24, 2014:

<b>BBA Contractor Compensation Caps for Contracts Awarded after June 24, 2014 (FAR 31.205-6(p)(4))</b>	
For Costs Incurred	Cap Amount <sup>1</sup>
1/1/2020 – 12/31/2020	\$555,000 <sup>2</sup>
1/1/2019 – 12/31/2019	\$540,000 <sup>3</sup>
<sup>1</sup> Current FY Cap Amount = Prior FY Cap Amount x Change in Employment Cost Index for all workers [i.e., BLS Table 4. Compensation (Not Seasonally Adjusted) Employment Cost Index for total compensation, for civilian workers, by occupational group and industry. (Twelve Months Ended September 30)]. Source: <a href="https://www.bls.gov/web/eci/ecicois.pdf">https://www.bls.gov/web/eci/ecicois.pdf</a>	
<sup>2</sup> 2020: \$540,000 x (138.1 / 134.4), rounded to the nearest thousand	
<sup>3</sup> 2019: \$525,000 x (134.4 / 130.7), rounded to the nearest thousand	

**Background**

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Section 702 of the Bipartisan Budget Act of 2013 (BBA; Pub. L. 113-67, December 26, 2013) established a cap on the reimbursement of compensation costs for all contractor employees, on all contracts awarded on or after June 24, 2014 by all executive agencies of the Government. OFPP is responsible for adjusting this cap annually to reflect the change in the ECI for all workers as calculated by the BLS.

Audit staff can find the applicable BBA and statutory contractor compensation limitations at the following OFPP websites:

- BBA compensation caps for contracts awarded after June 24, 2014:  
<https://www.whitehouse.gov/wp-content/uploads/2017/11/ContractorCompensationCapContractsAwardedafterJune24.pdf>
- Statutory (41 USC 1127) compensation ceiling amounts for contracts awarded prior to June 24, 2014:  
<https://www.whitehouse.gov/wp-content/uploads/2017/11/ContractorCompensationCapContractsAwardedBeforeJune24.pdf>

CAM 6-414.7 includes a summary table of the BBA compensation cap amounts and prior statutory ceiling amounts by year through CY 2018, based on the date of contract award, the type of covered contractor employee and contracting agency. Policy will update this section of CAM when OFPP formally publishes the new BBA compensation caps on its website for CY 2019 and 2020.

## **Concluding Remarks**

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FAO personnel should contact their Regional/CAD personnel for any questions relating to this audit alert. Regional/CAD personnel with questions should contact Policy Special Projects (PSP) Division at (703) 767 3290 or by e-mail at DCAA-PSP@dcaa.mil.

/Signed/

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