PGI 215.407-4 Should-cost review.

(b) *Program should-cost review*.

(2) DoD contracting activities should consider performing a program should-cost review before award of a definitive contract for a major system as defined by DoDI 5000.2. See DoDI 5000.2 regarding industry participation.

(c) *Overhead should-cost review*.

(1) Contact the Defense Contract Management Agency (DCMA) (http://www.dcma.mil/) for questions on overhead should-cost analysis.

(2)(A) DCMA or the military department responsible for performing contract administration functions (e.g., Navy SUPSHIP) should consider, based on risk assessment, performing an overhead should-cost review of a contractor business unit (as defined in FAR 2.101) when all of the following conditions exist:

(*1*) Projected annual sales to DoD exceed $1 billion;

(*2*) Projected DoD versus total business exceeds 30 percent;

(*3*) Level of sole-source DoD contracts is high;

(*4*) Significant volume of proposal activity is anticipated;

(*5*) Production or development of a major weapon system or program is anticipated; and

(*6*) Contractor cost control/reduction initiatives appear inadequate.

(B) The head of the contracting activity may request an overhead should-cost review for a business unit that does not meet the criteria in paragraph (c)(2)(A) of this subsection.

(C) Overhead should-cost reviews are labor intensive. These reviews generally involve participation by the contracting, contract administration, and contract audit elements. The extent of availability of military department, contract administration, and contract audit resources to support DCMA-led teams should be considered when determining whether a review will be conducted. Overhead should-cost reviews generally should not be conducted at a contractor business segment more frequently than every 3 years.

Parent topic: PGI 215.407 RESERVED