

**DEPARTMENT OF DEFENSE****Defense Acquisition Regulations System****48 CFR Part 215**

RIN 0750-AH86

**Defense Federal Acquisition Regulation Supplement; Forward Pricing Rate Proposal Adequacy Checklist (DFARS Case 2012-D035)**

**AGENCY:** Defense Acquisition Regulations System, Department of Defense (DoD).

**ACTION:** Final rule.

**SUMMARY:** DoD is issuing a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to provide guidance to contractors for the submittal of forward pricing rate proposals.

**DATES:** Effective December 11, 2014.

**FOR FURTHER INFORMATION CONTACT:** Mr. Mark Gomersall, telephone 571-372-6099.

**SUPPLEMENTARY INFORMATION:****I. Background**

DoD published a proposed rule at 78 FR 28790 on May 16, 2013, to revise the DFARS at 215.403-5 by adding instructions to contracting officers to request contractors to submit the proposed forward pricing rate proposal (FPRP) adequacy checklist at Table 215.403-1 with forward pricing rate proposals.

**II. Discussion and Analysis**

DoD reviewed the public comments in the development of the final rule. A discussion of the comments and the resultant changes are provided as follows:

**A. Need for the Rule**

*Comment:* One respondent stated that companies and the Government (the Defense Contract Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA)) have over the years been successful in articulating positions for each side to understand and resolve rate positions through negotiation either at the contract level or at the business level through a Forward Pricing Rate Agreement (FPRA). The respondents indicated the existing regulations are adequate without any further modifications to support the process.

*Response:* The objective of this rule is to provide guidance to contractors for the submittal of FPRPs. This rule amends the DFARS at 215.403-5 by adding instructions to contracting

officers to request contractors to submit the FPRP adequacy checklist with FPRPs. This guidance is intended to ensure submission of thorough, accurate, and complete proposals, provide consistency, and communicate common expectations to prevent rework and improve the efficiency of the negotiations process.

**B. Audit Timeliness**

*Comment:* Two respondents stated that the rule does not address the issues associated with the DCAA's inability to audit industry submissions in a timely fashion. The respondents believe that the perceived issues with contractor FPRP submissions are the result of DCAA's approach to FPRP audits and are not related to the adequacy of the FPRP submissions. One respondent stated that the additional requirements imposed by the FPRP adequacy checklist would also lengthen the already prolonged DCAA audit cycle for FPRPs and further erode timeliness and usefulness of audit reports.

*Response:* The purpose of the FPRP adequacy checklist is to promote the submission of thorough, accurate, and complete proposals; provide consistency; and communicate common expectations to prevent rework and improve the efficiency of the negotiations process. Establishment of common expectations for contractors and the Government will promote adequate initial submissions of proposals, which will shorten the acquisition cycle making for more efficient negotiations for both contractors and the Government.

**C. Incurred Cost Audits**

*Comment:* One respondent suggested that DCAA should begin auditing the most recent incurred cost submissions to gain a thorough understanding of the contractor's operations necessary to best opine on contractor forward pricing estimates. The respondent stated that DCAA is woefully behind on the contractually required (FAR 52.216-7, Allowable Cost and Payment clause) duty to audit contractor incurred cost submissions as promptly as practical. Contractors' historical incurred costs are key inputs for estimates for FPRPs.

*Response:* FAR 52.216-7(d)(2)(ii) requires that "The appropriate Government representative and the Contractor shall establish the final indirect cost rates as promptly as practical, after receipt of the Contractor's proposal." The purpose of the FPRP adequacy checklist is to improve the efficiency of the FPRA negotiations process. The Government employs multiple avenues to obtain an

appropriate understanding about the contractor's operations. The Government has a responsibility to perform appropriate review of contractor proposals to establish well-supported negotiation positions and to negotiate effectively to wisely use taxpayer money and to ensure that contract prices are fair and reasonable to both the contractor and the Government. Taxpayers receive a direct tangible benefit from the auditing of FPRPs. Meanwhile, DCAA is working to reduce the inventory of incurred cost audits to become current.

**D. Business Systems Audits**

*Comment:* DCAA should conduct better and more accurate transaction testing. DCAA has made business system audits a low priority and appears to be only conducting them sporadically. Unable to rely on contractor business systems and coupled with not having audited recent contractor incurred cost submissions, DCAA has made detailed testing of large samples of recent incurred cost transactions a part of their FPRP audit program.

*Response:* DoD agrees that contractor business systems and internal controls are the first line of defense against waste, fraud, and abuse. Weak control systems increase the risk of unallowable and unreasonable costs being charged to Government contracts. However, the purpose of this rule is to provide guidance to contractors for the submittal of FPRPs. DCAA's audit approach is to design appropriate tests of details in support of the proposed forward pricing rates, not to conduct incurred cost audits within FPRP audits. DCAA is working to reduce its backlog of incurred cost audits so that the agency can conduct the audits more promptly.

**E. Reliance on Outside Audits**

*Comment:* One respondent suggested that DCAA should balance independence with efficiency. DCAA is unwilling to rely on relevant auditing and analysis by others. Citing the belief that absolute independence is required, DCAA typically will not rely on the contractor's internal audit department, other Government oversight organizations such as the Defense Contract Management Agency (DCMA), or even other DCAA auditors.

*Response:* In order to comply with Generally Accepted Government Auditing Standards (GAGAS), DCAA's audit opinion must be derived from the results of sufficient audit procedures performed on the underlying contractor data. In most cases, DCAA is not provided the necessary access to the

working papers supporting contractor internal audits. DCAA will work with DCMA and other contract administration offices (CAO's) to leverage the monitoring and analytical work they perform; however, DCAA cannot include CAO developed rates without applying adequate audit procedures to the underlying contractor data.

#### *F. FPRP Adequacy Checklist Flexibility*

*Comment:* Two respondents stated that the FPRP adequacy checklist should be more flexible to allow the Government and contractors to better explain and understand the FPRPs. The FPRP adequacy checklist does not provide for any tailoring by a company based upon the company's cost structure. Documentation necessary to audit rates at one contractor can be irrelevant to the rates at another contractor. Requiring companies to create additional documentation, much of which may be irrelevant to the FPRP and yet obligate DCAA to audit it, will not change the outcome of a rate negotiation, but is certain to create obstacles to the process.

*Response:* The FPRP adequacy checklist communicates common expectations for both contractors and the Government. The FPRP adequacy checklist topics are high level and generic, focused on the contractor communicating the rates proposed and their bases. Contractors provide checklist responses within the context of their accounting/estimating systems and the structure of their FPRP. The FPRP adequacy checklist is not geared to stimulate the contractor to create documentation other than the basic information that both the Government and contractor need to support and negotiate fair and reasonable rates and wisely use taxpayer monies.

*Comment:* One respondent stated that FPRPs should be a proposal by a company on how it is going to manage the risk of future performance. They represent forecasting future costs and the risk associated with those costs. Clearly, this formulation will vary by company and will be based on assumptions that the companies make and articulate as part of their proposals. The FPRP adequacy checklist does not take this core issue into consideration. It is generic in nature, not exhaustive, and does not account for the fact that some circumstances will not apply to a specific FPRP.

*Response:* The FPRP adequacy checklist is intended to be high level and generic, not exhaustive in nature, allowing each contractor to respond within the context of its proposal and

estimating/accounting system structure. While a contractor will manage the risk of future costs, when the contractor is contracting with the Government there must be a basic understanding of the rates proposed and the bases of estimates so Government representatives can be good stewards of taxpayers' money when negotiating a fair and reasonable price. Where a specific FPRP adequacy checklist topic does not apply for a contractor, then that topic should be identified as "Not Applicable."

*Comment:* One respondent stated that a one size fits all FPRP adequacy checklist would not be effective to identify the appropriate information and data necessary to the Government for the audit or FPRA process because of the variety of cost elements and segment types.

*Response:* The FPRP adequacy checklist identifies common expectations for both the contractor and the Government with a focus on the proposed rates and the underlying bases of estimates. The goal is for the proposal to be adequate to support negotiations that will allow the Government contracting officer to ensure that the price is fair and reasonable. The Government will meet with the contractor upon receipt of an adequate proposal and, based upon the results of a walk-through meeting, identify appropriate evidence to support negotiations and audit.

#### *G. FPRP Submittal Timing*

*Comment:* The respondents claimed that the proposed rule creates unintended and harmful liabilities for contractors. Under the Truth in Negotiations Act (TINA), companies must provide the Government with pricing information that is current, accurate, and complete. Requiring companies to submit forward pricing rates at least 90 days in advance of their effective date directly conflicts with TINA and the False Claims Act. Intentional or knowing violation of TINA provisions are potentially false claims. In addition, key bases for estimates such as budgets or sales projections may simply not be available 90 days prior to submission of rate proposals. Beyond that, the budgetary and factual data upon which FPRPs are based (1) may simply not be available 90 days in advance, (2) may be subject to more current data, or (3) may be affected by certain large proposals that may require a resubmission of rates when a contract award would have a significant impact on bases/rates. One respondent requested a separate rule to address the requirement for submission of forward

pricing rates at least 90 days in advance of the effective date of those rates, which would also address a waiver of liability/prosecution for civil or criminal penalties that might arise from compliance with the rule.

*Response:* Submitting FPRPs 90 days in advance of their effective date is reasonable. The parties (Government and contractor) need time to negotiate forward pricing rates prior to their effective date, which is often the start of the contractor's fiscal year. Prior to the start of their fiscal year, contractors have established strategic plans and put budgets in place to manage their businesses. The 90 day timeframe is not creating a conflict with the provisions of TINA. In accordance with FAR 42.1701, the contractor's FPRP shall include "cost or pricing data that are accurate, complete, and current as of the date of submission" and contractors are expected to communicate updates during the negotiation of the proposed rates. Per FAR 15.407-3, Forward pricing rate agreements, paragraph (a), "All data submitted in connection with the FPRA, updated as necessary, form a part of the total data that the offeror certifies to be accurate, complete, and current at the time of the agreement on price for an initial contract or for a contract modification." Paragraph (b) states "Conditions that may affect the agreement's validity shall be reported promptly to the ACO." (The ACO is the Government Administrative Contracting Officer.) It should be understood by the parties that the proposed rates are based on forecasts and contractors must provide updates whenever the validity of the agreement may be affected.

#### *H. Incorporation of FAR Table 15-2 Into the FPRP Adequacy Checklist*

*Comment:* A number of respondents stated that the incorporation of FAR Table 15-2 into the FPRP adequacy checklist is inappropriate. These comments included the following:

(1) The table is suited to contractor proposals for goods or services, and not to FPRPs. As a result of DCAA's application of Table 15-2, DCAA now requires significantly more data from contractors to demonstrate adequacy. This additional data is not tailored based on a risk assessment of the contractor's operations. Prior to the application of Table 15-2 to FPRPs, contractors and the Government had been more successful in achieving timely audits of contractors' FPRP submissions and negotiations of FPRAs.

(2) DoD should issue a separate rule addressing the checklist's incorporation of Table 15-2 requirements. By referencing Table 15-2 throughout, the

FPRP adequacy checklist implicitly applies Table 15-2 to FPRPs. However, the table's requirements have not been applied as such under the current FAR. The respondent maintained that FAR Table 15-2 is only required when submitting "certified" cost or pricing data associated with a specific pricing action subject to TINA, such as a bid or proposal for a new contract award or contract modification. The respondent suggested that any attempt to require Table 15-2 for all FPRPs must go through proper, separate, rulemaking.

(3) Many elements of the proposed FPRP adequacy checklist are irrelevant to an FPRP submission. For example, the first item on the FPRP adequacy checklist reads, "Is there a properly completed first page of the proposal or a summary format as specified by the contracting officer?" This corresponds to Table 15-2. The respondent further pointed out that there is no solicitation, no contract, no profit or fee, no Government property used, and CAS applicability is already readily known by both the contractor and Government.

(4) One respondent stated that a fundamental issue that the GAO raised with DCAA audits was DCAA's lack of adherence to Generally Accepted Government Auditing Standards (GAGAS). The respondent believes that in response to the GAO report, DCAA took the position that the items listed on the proposed DFARS FPRP adequacy checklist have always been a requirement of Table 15-2. The respondent does not believe that Table 15-2 is applicable to an FPRP.

*Response:* To promote the submission of thorough, accurate, and complete proposals, this rule is communicating common expectations, that FPRPs include basic information which identifies the proposed rates and explains the bases of estimates, and requiring that the contractors communicate the inclusion of this basic information via an FPRP adequacy checklist. The goal of the FPRP adequacy checklist is to promote the initial submission of adequate proposals and to achieve a more efficient negotiation process for establishing forward pricing rates. While a contractor will not sign a "Certificate of Current Cost or Pricing Data" until award of a contract (or modification) for supplies or services, FAR 42.1701(b) requires the Contracting Officer to obtain the FPRP including cost or pricing data that are current, accurate and complete. The references in the proposed rule to FAR 15.408 Table 15-2 were intended to help offerors understand the minimum criteria to ensure their FPRPs adequately comply with each

submission item. However, to remove any misunderstandings of the intent and content of the table submission items, the FPRP adequacy checklist references, including references to FAR 15.408 Table 15-2, have been removed in this final rule. Furthermore, item no. 1 of the FPRP adequacy checklist is revised to identify only those specific items required on the first page of a forward pricing rate proposal.

#### *I. Paperwork Reduction Act*

*Comment:* One respondent claimed that DoD has not complied with its obligations under the Paperwork Reduction Act and the implementing regulations in 5 CFR part 1320.

*Response:* The supporting data referenced by the respondent exceeds the information collection requirements established under this rule. The Paperwork Reduction Act estimates published with the proposed rule accurately reflect the contractors' costs to fulfill the information collection requirements of this rule.

#### *J. Public Meetings*

*Comment:* One respondent suggested that DoD and the public should engage in an interactive process to identify the real objectives of this rule and the best methods for achieving those solutions.

*Response:* The purpose of the rule is to provide guidance to contractors for the submittal of FPRPs that are thorough, accurate, and complete. The rule provides for consistency of submittals and establishes common expectations for a contractor and the Government to make negotiations more efficient. A meeting is not necessary given that the objective is clear.

#### *K. Increased Administrative Efforts and Costs*

*Comment:* One respondent stated that the proposed FPRP adequacy checklist also includes information beyond the scope of a basis of estimate (BOE). An example is the following submission item: "Does the proposal include a comparison of prior forecasted costs to actual results in the same format as the proposal and an explanation/analysis of any differences?" Such data and format are not relevant to the current BOE developed by the contractor. The respondent claimed that there is no benefit to the Government from requiring the contractor to provide duplicative information that was not used in the development of the BOE. Rather, contractors will incur additional costs to meet these administrative requirements.

Two respondents stated that there are many items within the proposed FPRP

adequacy checklist that would add significant time and effort to the contractor's FPRP submission as well as require additional explanations to DCAA on the adequacy of the submittal against the FPRP adequacy checklist. The respondents suggested that DoD should consider the vast amounts of paperwork and data reformatting that would be required to comply with the proposed rule. It is not just questions that have to be answered; there would be an exponential increase when the questions are applied to each forward pricing rate. If adopted the rule would create an enormous volume of paper and data for the sole purpose of DCAA audit consumption. This would be done without any requirement for timely completion of audits. These additional efforts would increase contractor administrative costs and Government audit costs which run directly contrary to DoD's Better Buying Power memoranda.

*Response:* The purpose of the FPRP adequacy checklist is to ensure that FPRPs are complete and well-supported, and provide an adequate basis for Government analysis and negotiation. This will assist both parties by significantly reducing the need for fact finding, and allowing for more efficient proposal analysis by the Government. The FPRP adequacy checklist identifies those elements which would typically be included in a well-supported and complete FPRP. However, the FPRP adequacy checklist itself does not mandate development of content which is not appropriate for a specific proposal. The FPRP adequacy checklist includes a column which the contractor can use to briefly explain why a specific checklist item is not applicable. It should be noted that there is no intent for a separate instance of the FPRP adequacy checklist to be completed for each proposed rate. Rather, the contractor will submit a single completed FPRP adequacy checklist in support of the entire FPRP.

Forward pricing rates are projections of the future. It is fundamental to understand how accurately a contractor has been able to estimate past periods. A basic requirement for proposals for both supplies/services and FPRAs is the presentation of trend and budgetary data. The elements commented as not being relevant to the current BOE are important for Government representatives to consider when negotiating rates. The FPRP adequacy checklist recognizes that the support for out-year rates may be less detailed than for the base year, and/or that the estimating methodology for out-year rates may be different from the base

year. The FPRP adequacy checklist merely leads the contractor to clearly document the estimating approaches used, the escalation applied, etc., so that the proposal submitted to the Government provides an adequate basis for analysis and negotiation.

*Comment:* One respondent stated that companies generally support forward pricing rates for periods ranging from one to ten years depending on the markets in which they compete. Generally, a five year period is customary in an FPRP. Checklists such as the one being proposed have a tendency to be applied literally by regulators without the benefit of the application of professional judgment. For a shipbuilding contractor that may have a ten year pricing window, the fidelity of the pricing estimates at the back end of the pricing window are not as robust as those in earlier years. This FPRP adequacy checklist would have contractors generate paper purely for the sake of complying with the checklist, without adding value to the acquisition process.

*Response:* Both contractors and Government representatives are expected to exercise professional judgment in using the FPRP adequacy checklist during the process. The contractor is expected to construct its proposal as fits its business scenario, explaining the bases and derivation of the rates for each proposed period and the underlying assumptions. Experience with FPRPs has demonstrated that out years are not well-supported even with the underlying strategic decisions which affected the pool and base estimates.

#### L. FPRP Risk Assessment

*Comment:* One respondent stated that, at their core, FPRPs represent the degree of risk that a company is willing to accept in proposals for pricing rates. They are developed using forecasts of future costs in which judgment is applied to address risk. That risk is subjective and will vary significantly by company and market conditions. The degree of risk is addressed by the assumptions that contractors articulate in their FPRP. The FPRP adequacy checklist misses the entire point of the contractors' risk assessment.

*Response:* The purpose of the FPRP adequacy checklist focuses on whether the FPRP is adequate with the proposed rates and the underlying bases of estimate identified and ready to be a foundation for negotiation with the Government. From this point the Government will engage with the contractor for a more thorough

understanding of underlying contractor assumptions and the risk the contractor has designed. While some checklist items address assumptions/risk to some degree; the FPRP adequacy checklist is not designed to go into this level of detail. The checklist is designed to address risk at a higher level.

Contractors' assignment of risk in estimating future cost is subjective depending on company and market conditions. Contractors can use their own judgment and risk factors to develop their future cost forecasts. However, the valuation of the risk or estimate should be based on available data and documented assumptions.

#### III. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

#### IV. Regulatory Flexibility Act

A final regulatory flexibility analysis has been prepared consistent with the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, and is summarized as follows:

This rule amends the DFARS at 215.403–5 by adding instructions to contracting officers to request contractors to submit the FPRP adequacy checklist with FPRPs. The objective is to provide guidance to contractors for the submittal of FPRPs.

No significant issues were raised by the public comments in response to the initial regulatory flexibility analysis published with the proposed rule.

DoD does not expect this rule to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because only a small percentage of Government contractors are requested to submit an FPRP, as set forth at FAR 42.1701(a). The Government will ask only those contractors with a significant volume of Government contracts to submit such proposals.

The rule does not duplicate, overlap, or conflict with any other Federal rules.

#### V. Paperwork Reduction Act

The rule contains information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C chapter 35). OMB has cleared this information collection under OMB Control Number 0704–0497, titled DFARS part 215, Negotiation.

#### List of Subjects in 48 CFR Part 215

Government procurement.

#### Manuel Quinones,

*Editor, Defense Acquisition Regulations System.*

Therefore, 48 CFR part 215 is amended as follows:

#### PART 215—CONTRACTING BY NEGOTIATION

■ 1. The authority citation for 48 CFR part 215 continues to read as follows:

**Authority:** 41 U.S.C. 1303 and 48 CFR chapter 1.

■ 2. Add 215.403–5 to read as follows:

#### 215.403–5 Instructions for submission of certified cost or pricing data and data other than certified cost or pricing data.

(b)(3) For contractors following the contract cost principles in FAR subpart 31.2, Contracts With Commercial Organizations, pursuant to the procedures in FAR 42.1701(b), the administrative contracting officer shall require contractors to comply with the submission items in Table 215.403–1 in order to ensure that their forward pricing rate proposal is submitted in an acceptable form in accordance with FAR 15.403–5(b)(3). The contracting officer should request that the proposal be submitted to the Government at least 90 days prior to the proposed effective date of the rates. To ensure the proposal is complete, the contracting officer shall request that the contractor complete the Contractor Forward Pricing Rate Proposal Adequacy Checklist at Table 215.403–1, and submit it with the forward pricing rate proposal.

#### Table 215.403–1—Contractor Forward Pricing Rate Proposal Adequacy Checklist

Complete the following checklist, providing the location of requested information, or an explanation of why the requested information is not provided, and submit it with the forward pricing rate proposal.



CONTRACTOR FORWARD PRICING RATE PROPOSAL ADEQUACY CHECKLIST—Continued

Submission item	Proposal page No. (if applicable)	If not provided, explain (may use continuation pages)
11. Does the proposal identify planned or anticipated changes in the composition of labor rates, labor categories, union agreements, headcounts, or other factors that could significantly impact the direct labor rates?		
<b>Indirect Rates (Fringe, Overhead, G&amp;A, etc.)</b>		
12. Indirect Rates Methodology and Basis of Each Estimate. <ul style="list-style-type: none"> <li>a. Does the proposal identify the basis of each estimate and provide an explanation of the methodology used to develop the indirect rates?</li> <li>b. Does the proposal include or identify the location of the supporting documents for the proposed rates?</li> </ul> 13. Does the proposal identify indirect expenses by burden center, by cost element, by year (including any voluntary deletions, if applicable) in a format that is consistent with the accounting system used to accumulate actual expenses?                     14. Does the proposal identify any contingencies?                     15. Does the proposal identify planned or anticipated changes in the nature, type, or level of indirect costs, including fringe benefits?                     16. Does the proposal identify corporate, home office, shared services, or other incoming allocated costs and the source for those costs, including location and point of contact (custodian) name, phone number, and email address?                     17. Does the proposal separately identify all intermediate cost pools and provide a reconciliation to show where the costs will be allocated?                     18. Does the proposal identify the escalation factors used to escalate indirect costs for the out-years, the costs to which escalation is applicable, and the basis of each factor used?                     19. Does the proposal provide details of the development of the allocation base?                     20. Does the proposal include or reference the supporting data for the allocation base such as program budgets, negotiation memoranda, proposals, contract values, etc.?                     21. Does the proposal identify how the proposed allocation bases reconcile with its long range plans, strategic plan, operating budgets, sales forecasts, program budgets, etc.?		
<b>Cost of Money (COM)</b>		
22. Cost of Money. <ul style="list-style-type: none"> <li>a. Are Cost of Money rates submitted on Form CASB-CMF, with the Treasury Rate used to compute COM identified and a summary of the net book value of assets, identified as distributed and non-distributed?</li> <li>b. Does the proposal identify the support for the Form CASB-CMF, for example, the underlying reports and records supporting the net book value of assets contained in the form?</li> </ul>		
<b>Other</b>		
23. Does the proposal include a comparison of prior forecasted costs to actual results in the same format as the proposal and an explanation/analysis of any differences?                     24. If this is a revision to a previous rate proposal or a forward pricing rate agreement, does the new proposal provide a summary of the changes in the circumstances or the facts that the contractor asserts require the change to the rates?		

[FR Doc. 2014-28811 Filed 12-10-14; 8:45 am]  
 BILLING CODE 5001-06-P

**DEPARTMENT OF DEFENSE**  
**Defense Acquisition Regulations System**  
**48 CFR Parts 225 and 236**  
**RIN 0750-AI33**  
**Defense Federal Acquisition Regulation Supplement: Use of Military Construction Funds in Countries Bordering the Arabian Sea (DFARS Case 2014-D016)**  
**AGENCY:** Defense Acquisition Regulations System, Department of Defense (DoD).  
**ACTION:** Final rule.

**SUMMARY:** DoD has adopted as final, without change, an interim rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to implement sections of the Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2014, that restricts use of military construction funds in various countries, including countries bordering the Arabian Sea.  
**DATES:** Effective December 11, 2014.  
**FOR FURTHER INFORMATION CONTACT:** Ms. Amy G. Williams, telephone 571-372-6106.  
**SUPPLEMENTARY INFORMATION:**