



**HEADQUARTERS
POLICY FLASH**

POLICY FLASH 2005-43

DATE: July 15, 2005
TO: Procurement Directors
FROM: Office of Procurement and Assistance Policy, ME-61
Office of Procurement and Assistance Management

SUBJECT: Acquisition Letter 2005-11, Home Office Expenses for Management and Operating Contracts

SUMMARY: This Flash transmits Acquisition Letter 2005-11, which provides application guidance to contracting officers on how to: (1) determine if they should reimburse any home office expenses; (2) calculate a reasonable amount in advance (fixed amount or ceiling) for such expenses; (3) document the rationale for their determinations and calculations; (4) obtain appropriate reviews; and (5) ensure they pay only for what they negotiated.



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The major changes established by this guidance are the contracting officer must:

- prior to approving a contractor's request for reimbursement of home office expenses, provide the appropriate Senior Procurement Executive a copy of: the proposed advance agreement; the contract file documentation of the rationale for considering any reimbursement in accordance with the DEAR 970.3102-3-70 criteria; and the analyses performed either to determine the specific costs to be reimbursed as actual costs (and to determine the appropriate ceiling) or to determine the costs to consider in determining the fixed amount; and
- when utilizing reimbursement of actual costs up to a ceiling, request, as appropriate, an audit of costs incurred for home office expenses to ensure only allowable costs are being reimbursed; and
- when utilizing a fixed amount, obtain an audit of the costs the contractor proposes in support of the fixed amount before agreeing to the amount to ensure that only allowable costs are included in the contractor's proposal and to support the determination of the reasonableness of any costs considered in negotiating an equitable amount.

Questions concerning this Policy Flash should be directed to Michael Righi at (202)287-1337.

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