Understanding DFARS Flowdown Clauses in Government Subcontracting

Why DFARS Flowdown Clauses Matter for Your Business

If you work with the Department of Defense as a prime contractor or a subcontractor, you have likely encountered references to the Defense Federal Acquisition Regulation Supplement. The DFARS sets rules for how the government buys goods and services, and it contains clauses that must be included in many contracts. When a prime contractor awards work to a subcontractor, those clauses often need to be "flowed down" to the lower-tier agreement. That process is where many people get tripped up.

I have spent years helping companies navigate these requirements, and I have seen the same mistakes repeated. Companies assume that because they are not the prime contractor, the rules do not apply to them. That assumption can cost them time, money, and even their eligibility for future contracts. The reality is that understanding dfars flowdown clauses is not optional if you want to stay compliant and competitive.

What Are Flowdown Clauses?

A flowdown clause is a requirement from the prime contract that the prime contractor must include in its subcontracts. The DFARS contains hundreds of clauses, but only some of them require flowdown. The ones that do are listed in the contract itself, usually in a section called "Contract Clauses." The prime contractor is responsible for identifying which clauses apply to the subcontract and ensuring they appear in the subcontract document.

For subcontractors, this means you need to read your subcontract carefully. If the subcontract references a DFARS clause, you must follow its requirements. That might involve protecting technical data, allowing government audits, or complying with cost accounting standards. If you ignore these clauses, you could be in breach of contract.

Common DFARS Clauses That Flow Down

Not every DFARS clause flows down. The government publishes a list in DFARS 252.204-7000, but the specific clauses in your prime contract will tell you exactly what flows. Some of the most common ones include:

- DFARS 252.204-7000 - Disclosure of Information. This clause restricts subcontractor access to unclassified controlled technical information.

- DFARS 252.225-7014 - Preference for Certain Domestic Commodities. This clause requires subcontractors to use domestic materials when possible.
- DFARS 252.227-7013 - Rights in Technical Data. This clause addresses who owns the technical data created during the contract.
- DFARS 252.232-7003 - Electronic Submission of Payment Requests. This clause mandates electronic invoicing through the Wide Area WorkFlow system.
- DFARS 252.245-7001 - Subcontracting Plans. This clause requires subcontractors to submit their own subcontracting plans if they exceed certain thresholds.

Each of these clauses carries specific obligations. For example, if your subcontract includes DFARS 252.227-7013, you need to mark technical data with restrictive legends and understand that the government may have unlimited rights to use that data. Failing to mark data correctly can accidentally give the government broad ownership.

The Pitfalls of Ignoring Flowdown Requirements

I once worked with a small manufacturing company that supplied parts to a prime contractor building a radar system. The prime contract contained a clause requiring the subcontractor to allow government audits of its cost data. The subcontract did not include that clause. When the government requested an audit, the subcontractor refused, arguing that the clause was not in their agreement. The prime contractor was forced to halt the subcontractor's work and renegotiate the contract. That delay cost everyone time and trust.

That situation could have been avoided if the subcontractor had demanded the flowdown clauses be included from the start. Many subcontractors are afraid to push back on a prime contractor, but in this case, the prime contractor actually needed the clauses to be present to meet its own compliance obligations. A good working relationship involves both parties understanding the rules.

How to Ensure Compliance with DFARS Flowdown Clauses

The first step is to review the prime contract. If you are a prime contractor, you need to know which clauses apply to your subcontract. If you are a subcontractor, ask for a copy of the prime contract's clause list. This is not an unreasonable request; the prime contractor is obligated to provide it under FAR 52.212-4(c).

Once you have the list, compare it to your subcontract. Make sure every clause that should flow down is present in your subcontract document. If a clause is missing, write to the prime contractor and ask for it to be added. Do not assume that a missing clause means you do not

have to follow it. The government often holds subcontractors responsible for compliance regardless of what the subcontract says.

Another important step is to train your staff. Many compliance failures happen because employees do not know what the clauses require. For example, the clause on technical data might require your engineers to mark drawings with a specific legend. If your engineers do not know about that requirement, they might send unmarked drawings to the prime contractor, and the government could later claim unlimited rights in that data. Training can prevent these expensive mistakes.

Finally, consider using a checklist or a compliance matrix. A simple spreadsheet that lists each clause, its requirements, and who is responsible for implementing them can save you from overlooking something. Some companies use contract management software that automatically tracks flowdown obligations. Even a manual checklist is better than nothing.

The Role of the Prime Contractor

As a prime contractor, you have a legal duty to include the required dfars flowdown clauses in your subcontracts. If you fail to do so, you risk being found in noncompliance with your own prime contract. The government can terminate your contract, withhold payments, or even suspend you from future contracting.

But beyond legal risk, there is a practical reason to get it right. If your subcontractor does not know what is expected of them, they might deliver work that does not meet government standards. That can cause rework, delays, and disputes. By flowing down the right clauses and explaining them, you set your subcontractors up for success.

I recommend including a cover letter or a meeting to discuss the clauses with your subcontractor. Go over each one and explain what it means for their work. This upfront investment pays off in fewer problems later.

How to Review a Subcontract for DFARS Clauses

If you are a subcontractor, here is a practical process you can follow:

1. Read the entire subcontract carefully. Look for any reference to DFARS, FAR, or government regulations.
2. Identify each clause by its DFARS number. For example, DFARS 252.227-7013.
3. Look up the clause text online or ask the prime contractor for it. The DFARS is publicly available at the Acquisition.gov website.

4. Determine what the clause requires you to do. Does it require you to mark data? Submit reports? Allow audits?
5. Assign responsibility within your company. For example, the engineering team might be responsible for marking data, while the accounting team handles audit requests.

This process might sound simple, but I have seen companies skip it entirely. They assume the prime contractor has handled everything, which is not always true. A little due diligence can save you from a major headache.

When Flowdown Clauses Change

One thing that surprises many companies is that flowdown requirements can change over the life of a contract. The government might issue a change order that adds new clauses or modifies existing ones. The prime contractor then has to flow those changes down to subcontractors. If you do not have a process for tracking contract modifications, you might miss an important new obligation.

I recommend setting up a system to monitor changes. This could be as simple as a weekly review of contract correspondence or as sophisticated as a software tool that alerts you to modifications. When a change order comes in, check whether it affects any flowdown clauses and update your subcontract accordingly.

Final Thoughts

Understanding dfars flowdown clauses is a core part of working with the Department of Defense. It affects both prime contractors and subcontractors, and getting it wrong has real consequences. The good news is that the rules are written down and predictable. With a little effort upfront, you can ensure that your contracts include the right clauses and that your team knows how to follow them.

If you are new to this area, do not let the complexity discourage you. Start by reviewing one contract all the way through. Make a checklist. Talk to your legal or compliance team. Over time, it becomes second nature. And when you do it right, you build trust with your customers and protect your business from unnecessary risk.