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[Proposed Revisions to Cost Accounting Standards in the Federal Procurement Regulations]. D-1992. February 10, 1970. 2 pp.

Letter to Philip C. Reed, Director, Federal Procurement Regulations, Federal Supply Service; by Paul G. Seebing, General Counsel.

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**Mr. Philip G. Read
Director, Federal Procurement
Regulations
Federal Supply Service
General Services Administration**

Dear Mr. Read:

By letter dated December 21, 1977 you requested our comments on proposed revisions to cost accounting standards in the Federal Procurement Regulations (FPR). These proposed changes are intended to reflect recent Cost Accounting Standards Board (CASB) promulgations, Armed Services Procurement Regulation (ASPR) revisions necessitated thereby and to extend Cost Accounting Standards (CAS) to negotiated nondefense contracts. In our view some of the proposed revisions go beyond CASB promulgations.

Proposed FPR 1-3.1203-2(c) provides for limiting CAS to nondefense contracts awarded to business units which are performing a CAS covered national defense contract or sub-contract at the time of award of the nondefense contract. This means that contracts awarded by the civil agencies to nondefense contractors will not be subject to CAS. We believe that it is desirable to have uniform criteria for exemptions from CAS, applicable to both civil and defense contracts, and that it makes little sense to exempt civil contracts that would be covered if awarded by the Defense Department. Further, this exemption or limitation will serve to decrease uniformity and consistency in cost accounting practices for Government contracts. We, therefore, recommend that this provision be deleted; thus retaining the requirement that all noncompetitive contracts over \$100,000, with certain exceptions, be subject to CAS requirements.

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Proposed FPR 1-3.1203-2(c)(3)(i) continues the complete exemption from CAS of nondefense contracts with educational institutions. In GAO's February 3, 1976, report to the Administrator of GSA (PSAD 76-69B) we recommended that GSA make a detailed analysis to determine the desirability of extending CAS rules and regulations to nondefense contracts and grants with educational institutions. This detailed analysis or study has not been made.

Proposed FPR 1-3.1203-2(c)(3)(iv) adds an exemption for contracts with most nonprofit organizations. We do not concur with this proposed revision since this, too, serves to reduce uniformity and consistency in cost accounting practices for Government contracts.

Based on our study, we recommend that GSA reconsider exempting significant nondefense contracts with educational institutions and nonprofit organizations from CAS requirements.

Sincerely yours,

Paul G. Dembling

**Paul G. Dembling
General Counsel**

