



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Cost Accounting Standards (CAS) Administration

Contracts Directorate
OPR: DCMA-AQ

DCMA-INST 108
April 3, 2013

Administratively Reissued, May 20, 2013

1. REISSUANCE and PURPOSE. This Instruction:

- a. Reissues and updates DCMA Instruction (DCMA-INST) , “Cost Accounting Standards (CAS) Administration” (Reference (a)).
- b. Establishes Agency policy, assigns roles and responsibilities, and provides procedures for personnel involved with the administration of the Cost Accounting Standards (CAS or Standards).
- c. Implements DCMA policy pursuant to all references listed.
- d. Is established in compliance with DoD Directive 5105.64 (Reference (b)).

2. APPLICABILITY. This Instruction applies to all DCMA activities.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with DCMA-INST 710, “Managers’ Internal Control Program” (Reference (c)), this Instruction is subject to evaluation and testing. The process flowchart is located at Appendix A.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE(S).

- a. Process: 115 - Cost Accounting Standards (CAS) Administration.
- b. Programs: ACAT/Other Customers.
- c. Other National; Training and Travel; Local Programs (when applicable).

6. POLICY RESOURCE PAGE. <https://home.dcma.mil/policy/108r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.



Timothy P. Callahan
Executive Director, Contracts

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REFERENCES

- (a) DCMA Instruction, “Cost Accounting Standards (CAS) Administration,” October 2004 (hereby canceled)
- (b) DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
- (c) DCMA-INST 710, “Managers’ Internal Control Program,” September 30, 2011
- (d) DoD Instruction 7640.02, “Policy for Follow-up on Contract Audit Reports,” August 22, 2008
- (e) DCMA-INST 126, “Contract Audit Follow-Up,” December 2011
- (f) DCMA-INST 118, “Contracts – Initial Receipt and Review,” October 2010
- (g) Federal Acquisition Regulation (FAR)
- (h) Code of Federal Regulations, Title 48, Chapter 99, Subchapter B, Part 9903 (48 CFR 9903), “Contract Coverage”
- (i) Code of Federal Regulations, Title 48, Chapter 99, Subchapter B, Part 9904 (48 CFR 9904), “Cost Accounting Standards”
- (j) DCMA-INST 134, “Boards of Review,” October 15, 2012
- (k) United States Code, Title 41, Subtitle III, Chapter 71, Sections 7101 through 7109, “Contract Disputes” (41 USC 7101-7109)
- (l) DCMA-INST 905, “Contract Claims and Disputes,” November 2007
- (m) United States Code, Title 41, Subtitle I, Division B, Chapter 15, Section 1501, (41 USC 1501), “Cost Accounting Standards Board”
- (n) DCMA-INST 503, “Freedom of Information Act (FOIA) Requests,” August 2004
- (o) DCMA-INST 104, “Contract Debt,” December 2012
- (p) DCMA-INST 120, “Pricing and Negotiation,” July 31, 2012
- (q) United States Code, Title 26, Subtitle F, Chapter 67, Subchapter C, Section 6621, “Determination of Rate of Interest” (26 USC 6621)

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy that:

1.1.1. CAS noncompliance audits are reportable under DoD Instruction 7640.02 (Reference (d)) and shall be resolved and dispositioned in accordance with DCMA-INST 126, “Contract Audit Follow-Up” (Reference (e)).

1.1.1.1. Disclosure Statement/accounting practice changes, CAS noncompliance and cost impact audits shall be input into the Audit Issue Tracking (AIT) eTool. The AIT eTool will be used to track the total time from notice of an accounting practice change or CAS noncompliance through the disposition of the cost impact of the change/noncompliance.

1.1.2. During contract receipt and review, the Administrative Contracting Officer (ACO), shall ensure the appropriate CAS clauses are incorporated into the contract. Initiate a contract deficiency report when required in accordance with DCMA-INST 118, “Contracts - Initial Receipt and Review” (Reference (f)) and provide notification to the Divisional Administrative Contracting Officer (DACO) and Corporate Administrative Contracting Officer (CACO), when applicable, of the existence of the CAS-covered contract.

1.1.3. The Cognizant Federal Agency Official (CFAO), who for DCMA is the ACO/DACO/CACO (hereinafter ACO), with support from the auditor and the cost monitor or cost/price analyst, shall determine whether the prime contractor’s Disclosure Statement is adequate and complies with Federal Acquisition Regulations (FAR) part 31 (Reference (g)) and the CAS Board’s (CASB) rules and regulations 48 CFR 9903 (Reference (h)) and 48 CFR 9904 (Reference (i)).

1.1.3.1. The CFAO shall input the status of the prime contractor’s Disclosure Statement in the Contract Business Analysis Repository (CBAR) eTool.

1.1.4. The CFAO, with support from the cost monitor or cost/price analyst, has sole authority for negotiating and resolving the cost impact of contractor accounting practice changes and CAS noncompliances. But in accordance with FAR 30.606(a) (Reference (g)), the CFAO shall coordinate with any other affected contracting officers before negotiating and resolving the cost impact when the estimated impact on any contract is at least \$100,000.

1.1.5. The CFAO, with support from the auditor and cost monitor or cost/price analyst, shall ensure that the Government does not pay increased costs in the aggregate as a result of a unilateral accounting practice change (FAR 30.606(a) paragraph (c)(3)(iii) of Reference (g)).

1.1.6. The CFAO, with support from the auditor and cost monitor or cost/price analyst, shall ensure recovery of interest, computed on a compounded daily basis, from the date of overpayment by the Government to the contractor to the date of repayment by the contractor to

the Government, on any increased cost paid in the aggregate as a result of a CAS noncompliance. (FAR 52.230-2(a)(5), Reference (g))

1.1.7. Determinations of CAS noncompliance and cost impact amounts to be used in settlement positions or government claims prepared by the CFAO or contractor claims processed by the CFAO, shall be subject to appropriate review as outlined in this policy.

1.1.8. Prior to issuing Contracting Officer's final decisions and determinations of CAS noncompliance, the CFAO shall secure legal advice from pertinent DCMA legal advisors.

1.1.9. The CFAO shall comply with DCMA-INST 134, "Boards of Review" (Reference (j)) when applicable.

CHAPTER 2

RESPONSIBILITIES

2.1. CONTRACT MANAGEMENT OFFICE (CMO) COMMANDER/DIRECTOR OR CENTER DIRECTOR. The CMO Commander/Director or Center Director shall:

2.1.1. Ensure compliance with resolution and disposition requirements of CAS noncompliance audits in accordance with DCMA-INST 126 (Reference (e)).

2.1.2. Ensure any action, in consultation with assigned DCMA Legal Counsel, related to CAS administration which results in a Government claim is completed within 6 years from date of accrual of such claim, in accordance with the Contract Disputes Act (41 USC, Reference (k)) and DCMA-INST 905, "Contract Claims and Disputes" (Reference (l)) section on "Statute of Limitations."

2.2. CMO CONTRACTS DIRECTOR OR CORPORATE/DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER (CACO/DACO) GROUP DIRECTOR. The CMO Contracts Director or CACO/DACO Group Director shall:

2.2.1. Review CFAO Disclosure Statement adequacy determinations to ensure the determination is adequately supported and documented.

2.2.2. Review CFAO Disclosure Statement compliance determinations to ensure the determination is adequately supported and documented.

2.2.3. Review CFAO determinations of CAS compliance or noncompliance to ensure the determination is adequately supported and documented.

2.2.4. Review CFAO immateriality determinations to ensure the determination is adequately supported and documented.

2.2.5. Review CFAO cost impact on prenegotiation objectives and/or contracting officer final decisions, to ensure the objective and/or decision is adequately supported and documented.

2.3. COGNIZANT FEDERAL AGENCY OFFICIAL (CFAO), ADMINISTRATIVE CONTRACTING OFFICER, DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER, CORPORATE ADMINISTRATIVE CONTRACTING OFFICER (ACO/DACO/CACO). The CFAO within DCMA is the ACO/DACO/CACO, hereinafter referred to as ACO. The CFAO shall:

2.3.1. Assist Procuring Contracting Officer (PCO) with determinations of contract CAS applicability and type of CAS coverage.

2.3.2. Issue written determination for the requirement of a Disclosure Statement.

2.3.3. Issue a written determination regarding the adequacy of contractor's Disclosure Statement.

2.3.4. Issue a written determination regarding the compliance of the contractor's Disclosure Statement with FAR Parts 30 and 31 (Reference (g)), 48 CFR Part 99 (References (h) and (i)), and CASB rules, regulations, and standards and with the contractor's disclosed or established practices.

2.3.5. Issue a written determination in accordance with paragraph (b) of FAR 30.603-1 (Reference (g)), on all required cost accounting practice changes.

2.3.6. Make a written determination in accordance with paragraph (a)(2) of FAR 30.603-2 (Reference (g)), on all unilateral cost accounting practice changes.

2.3.7. Make a written determination in accordance with paragraph (b)(1) of FAR 30.603-2 (Reference (g)) on all desirable cost accounting practice changes.

2.3.8. Determine contractor compliance with CAS and Disclosure Statements.

2.3.9. Take appropriate action in accordance with paragraph (i), Remedies, of FAR 30.604 (Reference (g)), when the contractor does not timely submit adequate cost impact proposals.

2.3.10. Negotiate and resolve the cost impact of accounting practice changes or CAS noncompliances on behalf of all Government agencies.

2.3.11. Issue Contracting Officer final decisions to unilaterally resolve cost impact of accounting practice changes or CAS noncompliances on behalf of all Government agencies when appropriate.

2.3.12. Refer questions regarding CAS interpretation, implementation, or administration to their assigned legal counsel, auditor, and/or any other support member who can assist them, to include elevating the issue to DCMA Operations Directorate, DCMA Cost and Pricing Center, and DCMA Contracts Directorate.

2.3.13. Input and maintain Disclosure Statement status in the CBAR eTool.

2.3.14. Coordinate with the DCMA Office of Congressional and Public Affairs and the DCMA Office of General Counsel on any requests to the Government for release of information contained in a contractor's Disclosure Statement (such as Freedom of Information Act (FOIA) requests).

2.4. COST MONITOR OR COST/PRICE ANALYST. The Cost Monitor or Cost/Price Analyst shall:

2.4.1. Maintain thorough familiarity with CASB rules, regulations, and standards.

2.4.2. Review Disclosure Statements for use in performing proposal review and evaluations.

2.4.3. Establish agreements with DCAA, as required, to assure timely submission of CAS related audit reports.

2.4.3.1. Coordinate due dates in writing with DCAA for when an audit report will be issued. Multiple extension requests from DCAA should be tracked by using the AIT eTool.

2.4.4. Issue reports to assist the CFAO in determining Disclosure Statement adequacy and contractor compliance/noncompliance.

2.4.5. Review and evaluate cost impact proposals to assist the CFAO in resolving the cost impact.

2.4.6. Request audit assistance for Disclosure Statement adequacy and compliance and cost impact reviews.

2.5. OFFICE OF GENERAL COUNSEL.

2.5.1. The CFAO shall obtain legal review of all Contracting Officer final decisions and Determinations of CAS noncompliance.

2.5.2. The CFAO should consider obtaining legal review of settlement positions, other determinations, and other ACO actions, such as notice to contractor of a potential CAS noncompliance.

CHAPTER 3

PROCEDURES

3.1. VERIFY APPLICABILITY OF CAS TO THE PARTICULAR CONTRACT.

3.1.1. United States Code , Title 41 Chapter 15 (Reference (m)) requires certain contracts and subcontracts to comply with CAS. The PCO determines CAS applicability and inserts into the contract, the appropriate CAS clauses as stated in FAR Part 30 (Reference (g)), unless an exemption applies at time of award. Contract modifications made under the terms and conditions of the contract do not affect its status with respect to CAS applicability. Therefore, if CAS was applicable to the contract, it will apply to the modification. Conversely, if the contract was exempt from CAS, the modification will also be exempt regardless of the amount of the modification. However, if the contract modification adds new work, it must be treated for CAS purposes as if it were a new contract. In this case, if the modification exceeds the threshold, it will be CAS covered. Criteria exempting negotiated contracts or subcontracts from CAS coverage can be found in Figure 1.

3.1.2. During contract review the ACO shall ensure the applicable CAS clauses are incorporated into the contract.

3.1.3. There are two types of CAS coverage, full or modified coverage. Figure 1 and Table 1 provide criteria for determining if full or modified CAS applies. Note that contractors with smaller dollar value CAS-covered contracts may elect application of the less stringent modified coverage. The requirement to elect modified coverage, when eligible to elect such, is identified in FAR 52.230-1 (Reference (g)). If the contractor does not take specific action as outlined in the clause, the contractor is agreeing to be subject to full CAS coverage.

3.1.3.1. The CAS requirements are implemented through inclusion of various CAS clauses in the contract or subcontract. The Cost Accounting Standards clause at FAR 52.230-2 (Reference (g)) is prescribed for use in contracts subject to full CAS coverage. The Disclosure and Consistency of Cost Accounting Practices clause at FAR 52.230-3 (Reference (g)) is prescribed for use when modified CAS coverage applies. The Educational Institution CAS clause at FAR 52.230-5 (Reference (g)) is prescribed for use in negotiated contracts awarded to educational institutions. These clauses have mandatory flow down provisions requiring the prime contractor to include the substance of the applicable clauses in all CAS-covered subcontracts at any tier (FAR 52.230-2(d), Reference (g)). If a prime contract is not subject to CAS, any subcontracts awarded under it will not be subject to CAS because there will be no CAS clauses to “flow down.”

3.1.4. Table 2 provides a complete list of the Standards. As identified in 48 CFR 9904 (Reference (i)), there are 19 Standards related to Concepts and Principles, Allocation of Costs, Identification and Assignment of Costs, and Cost of Money.

Table 1. CAS Coverage

CAS Coverage		
Coverage Type	Application	Coverage requires that the business unit:
Full	<p>Applies to contractor business units that:</p> <p>Receive a single CAS-covered contract award of \$50 million or more; or</p> <p>Received \$50 million or more in net CAS-covered awards during its most recent cost accounting period.</p> <p>Note: Net awards means the total value of negotiated CAS-covered prime contract and subcontract awards, including the potential value of contract options, received during the reporting period minus cancellations, terminations, and other related credit transactions (48 CFR 9903.301(a)). Transfers from one business segment to another are considered subcontract awards for the purpose of measuring CAS-covered awards (48 CFR 9903.201-2(d)).</p>	<p>Comply with all Standards that are in effect on the date of contract award and with any Standards that become applicable because of later award of a CAS-covered contract.</p> <p>In addition, the business unit must submit and maintain a Disclosure Statement of its accounting practices.</p>
Modified	<p>If the offeror certifies that it is eligible for and elects to use modified coverage, it may be applied to a CAS-covered contract of:</p> <p>Less than \$50 million awarded to a business unit that received less than \$50 million in net CAS-covered awards in the immediately preceding cost accounting period.</p>	<p>Comply with CAS 401, 402, 405, and 406.</p> <p>Note: A contract awarded with modified CAS coverage shall remain subject to modified coverage throughout its life regardless of changes in the business unit's CAS status during subsequent cost accounting periods.</p>
Modified	<p>Contracts and subcontracts with foreign governments or their agents.</p> <p>48 CFR 9903.201-1(b)(4) exempts contracts and subcontracts with foreign governments or their agents or instrumentalities from all CAS Standards except for Standards 401 and 402.</p>	<p>Comply with CAS 401 and 402.</p>

Table 2. Cost Accounting Standards

Concepts and Principles	
CAS 401	Consistency in Estimating, Accumulating, and Reporting Costs
CAS 402	Consistency in Allocating Costs Incurred for the Same Purpose
CAS 405	Accounting for Unallowable Costs
CAS 406	Cost Accounting Period
Allocation of Costs to Contracts	
CAS 403	Allocation of Home Office Expenses to Segments
CAS 407	Use of Standard Costs for Direct Material and Direct Labor
CAS 410	Allocation of Business Unit General & Administrative Expenses
CAS 418	Allocation of Direct and Indirect Costs
Identification & Assignment of Costs	
CAS 404	Capitalization of Tangible Assets
CAS 409	Depreciation of Tangible Capital Assets
CAS 408	Accounting for Compensated Personal Absence
CAS 412	Composition & Measurement of Pension Costs
CAS 413	Adjustment & Allocation of Pension Costs
CAS 415	Accounting for Deferred Compensation
CAS 416	Accounting for Insurance Costs
CAS 411	Accounting for Acquisition Costs of Materials
CAS 420	Accounting for Independent Research & Development/Bid & Proposal Costs
Cost of Money	
CAS 414	Cost of Money as an Element of the Cost of Facilities Capital
CAS 417	Cost of Money as an Element of the Cost of Capital Assets under Construction

3.2. DETERMINE DISCLOSURE STATEMENT SUBMISSION REQUIREMENT.

3.2.1. A Disclosure Statement is a written description of a contractor's cost accounting practices and procedures. The statement is required to be submitted using a Disclosure Statement Form CASB DS-1 or CASB DS-2 for educational institutions, and requires the contractor to provide information on its operations and specific information on the accounting for specific types of costs.

3.2.1.1. A Disclosure Statement is required for each business unit selected to receive a CAS-covered contract or subcontract of \$50 million or more, or when the company, together with its segments, received net awards of CAS-covered contracts and subcontracts totaling \$50 million or more in its most recent accounting period. A separate Disclosure Statement must be submitted for each segment with costs exceeding the Truth in Negotiations Act threshold unless an exemption from CAS requirements is met or CAS-covered awards in the most recent accounting period are less than 30 percent of total segment sales and less than \$10 million. Figure 1 provides a flow chart for determining when a contractor is required to submit a Disclosure Statement. (48 CFR 9903.202-1, Reference (h))

3.2.1.2. Each corporate or other home office that allocates costs to one or more disclosing segments performing CAS-covered contracts must submit a completed Part VIII of the Disclosure Statement.

3.2.1.3. In accordance with 48 CFR 9903.202-1(e) (Reference (h)), foreign contractors and subcontractors who are required to submit a Disclosure Statement may, in lieu of filing a Form No. CASB DS-1, make disclosure by using a disclosure form prescribed by an agency of its Government, provided that the CASB determines that the information disclosed by that means will satisfy the objectives of 41 USC 1501 (Reference (m)). The use of alternative forms has been approved for the contractors of the following countries: Canada, Federal Republic of Germany, and the United Kingdom.

3.2.2. Disclosure Statements contain contractor proprietary data. The CFAO shall coordinate with the DCMA Office of General Counsel and the Office of Congressional and Public Affairs on any requests to the Government for release of information contained in a contractor's Disclosure Statement. The DCMA-INST 503, "Freedom of Information Act (FOIA) Requests" (Reference (n)) provides policy and procedures for processing FOIA requests.

3.3. INITIAL DISCLOSURE STATEMENT ADEQUACY AND COMPLIANCE REVIEW.

3.3.1. At time of contract award of a contract that has been determined to be CAS-covered, the contractor may have established or disclosed accounting practices. If not, submission of an initial Disclosure Statement is required.

3.3.2. The CFAO shall determine whether the prime contractor's Disclosure Statement is adequate and complies with FAR Part 31 (Reference (g)) and the CASB rules and regulations 48

CFR 9903 (References (h)) and 48 CFR 9904 (Reference (i)). To be considered adequate, a Disclosure Statement must be current, accurate, and complete.

3.3.2.1. The DCAA auditor is responsible for conducting an adequacy review of the contractor's Disclosure Statement. The auditor reviews the Disclosure Statement to ascertain whether it is current, accurate, and complete and provides the results in a report to the CFAO. Upon completion of the adequacy review, the auditor conducts a detailed compliance review to ascertain whether or not the disclosed practices comply with all applicable CAS and FAR Part 31 (Reference (g)), and advises the CFAO of the results.

3.3.2.1.1. A Disclosure Statement is current if it describes the cost accounting practices which the contractor intends to follow for estimating, accumulating, and reporting costs associated with CAS-covered contracts. The Disclosure Statement, therefore, could possibly include practices that are currently in use; will be instituted at some future date; will be followed with the incurrence of a new cost; or a combination of these.

3.3.2.1.2. A Disclosure Statement is accurate if it correctly, clearly, and distinctly describes the actual method of accounting the prime contractor or subcontractor uses or intends to use on contracts subject to 41 USC 1501, *et. seq.* (Reference (m)).

3.3.2.1.3. A Disclosure Statement is complete if it includes all significant cost accounting practices the contractor intends to use and provides enough information for the Government to fully understand the accounting system being described.

3.3.2.2. The cost monitor or cost/price analyst and the CFAO shall review the audit report and document in a memorandum for file, their position on adequacy and compliance. The supporting memorandum to file shall provide an affirmative statement that the CFAO agreed or disagreed with each audit and technical specialist's finding including sound rationale to resolve each audit or technical specialist's recommendation. The rationale must demonstrate that the CFAO has considered all appropriate laws, regulations, and DCMA Instructions related to the issues raised. In accordance with FAR 30.202-7 (Reference (g)), if the CFAO determines that the Disclosure Statement is:

3.3.2.2.1. Adequate. The CFAO must notify the contractor (in writing) with copies to the cognizant auditor and affected PCO. The notice, which should be issued within 30 calendar days after the CFAO receives the Disclosure Statement, must state that the disclosed practices are adequately described and the CFAO currently is not aware of any additional practices that should be disclosed; the notice is not a determination that all cost accounting practices were disclosed; and a disclosed practice shall not, by virtue of its disclosure, be considered an approved practice for estimating proposals or accumulating and reporting contract and subcontract performance cost data. (FAR 30.202-7(a)(2), Reference (g))

3.3.2.2.2. Not Adequate. The CFAO must notify the contractor (in writing) of the inadequacies and request a revised Disclosure Statement, by a due date specified by the CFAO (FAR 30.202-7(a)(2)(ii), Reference (g)). The notice should be issued within 30 days after the CFAO receives the Disclosure Statement.

3.3.2.2.3. Compliant. The CFAO must notify the contractor (in writing) with copies to the cognizant auditor and affected PCO.

3.3.2.2.4. Noncompliant. The CFAO shall take action regarding the noncompliance in accordance with FAR 30.605(b) (Reference (g)). The notice should request a revised Disclosure Statement that corrects the CAS noncompliance (FAR 30.202-7(b)(2), Reference (g)).

3.3.2.2.5. A noncompliance with FAR Part 31 (Reference (g)) should be processed separately (FAR 30.202-7(b)(2), Reference (g)).

3.3.2.3. Prior to the CFAO issuing an adequacy or compliance determination, the determination, along with all supporting documentation which will include the supporting memorandum to file, must be reviewed by the CMO Contracts Director or CACO/DACO Group Director to ensure the determination is adequately supported and documented.

3.3.3. Adequacy and compliance determinations of subcontractor disclosure statements, FAR 30.202-8 (Reference (g)), shall be made by the cognizant subcontractor CFAO and be provided to the prime or next higher-tier subcontractor CFAO. The higher-tier CFAO shall not change the determination of the lower-tier CFAO.

3.4. CHANGES TO DISCLOSED OR ESTABLISHED ACCOUNTING PRACTICES.

3.4.1. A contractor may initiate changes in disclosed accounting practices during contract performance. Table 3 below identifies the types of accounting changes and the cost adjustment required for each type of change.

3.4.1.1. A change in cost accounting practices to correct a CAS noncompliance is not treated as a change in cost accounting practices for purposes of cost adjustment.

3.4.1.2. The contractor is free to change its cost accounting practices and to amend or revise its Disclosure Statement at any time. The contractor must, however, amend its Disclosure Statement whenever it makes a change to its disclosed practices. Moreover, the CAS clauses FAR 52.230-2 and 52.230-3 (Reference (g)) require the contractor to apply any changes to its accounting practices prospectively only.

3.4.1.3. FAR 30.603-2(d) (Reference (g)) allows retroactive unilateral changes if approved by the CFAO, but only back to the beginning of the contractor's fiscal year. In such cases, the change would then be applied prospectively from the effective date of the change.

Table 3. Requirements for Adjustment under CAS Coverage

Type of Accounting Change	Description	An adjustment is required
Required Change FAR 30.603-1	Required to comply with a new or modified Standard issued by the CAS Board, or to remain in compliance with any Standard when award of contract would require an offeror to change its cost accounting practices.	<p>The ACO, which is also the Cognizant Federal Agency Official (CFAO), must negotiate an equitable adjustment (upward or downward) on existing CAS-covered contracts, for any material cost impact.</p> <p>Offeror is required to prepare its contract pricing in response to the solicitation using the changed cost accounting practice for the period of performance for which it will be used, and submit a description of the changed practice to the contracting officer for the contract and the offeror's ACO.</p> <p>Contractor must submit a description of the change to the ACO at least 60 days (or mutually agreeable date) before implementation of the change.</p>
Desirable Change FAR 30.603-2(b)	The Contractor makes a unilateral change, but the ACO determines that the change is desirable and not detrimental to the Government.	The ACO must negotiate an equitable adjustment (upward or downward) on existing CAS-covered contracts.
Unilateral- Change FAR 30.603-2(a)	The change is unilateral and the ACO determines that the change is not desirable to the Government.	<p>Since the change is unilateral and considered not desirable, the Government is prohibited from paying increased costs in the aggregate as a result of the change.</p> <p>Contractor must submit a description of the change to the ACO at least 60 days (or mutually agreeable date) before implementation of the change.</p>
NOTE: A change in cost accounting practices to correct a CAS noncompliance is not treated as a change in cost accounting practices for purposes of cost adjustment.		

3.4.2. The CFAO shall require the contractor to submit a description of the change along with any rationale to support contractor assertion that the cost impact of the change is immaterial 60 days (or other mutually agreed to date) before implementation of the change.

3.4.3. Required Accounting Change. A required change to an accounting practice (Reference m)) is needed to comply with a new or modified Standard issued by the CASB, or to remain in compliance with any Standard. (FAR 30.603-1, Reference (g))

3.4.3.1. FAR 52.230-7 (Reference (g)) requires contractors to check yes if the contract award will result in a required or unilateral change in cost accounting practice, including unilateral changes requested to be desirable changes. If contract award would require a change, the contractor must submit a description of the change as pricing support for the proposal.

3.4.3.2. The CASB may add or modify a Standard which becomes applicable prospectively to existing CAS-covered contracts or when a new contract containing FAR 52.230-2 (Reference (g)) is awarded on or after the effective date of the new or modified Standard. Those existing contracts and subcontracts containing FAR 52.230-2 (Reference (g)) may require equitable adjustments. Adjustments are limited to open contracts and subcontracts awarded before the effective date of the new or modified Standard and the period of performance continues after the effective date of the new or modified Standard. (FAR 30.603-1(d), Reference (g))

3.4.3.3. Prior to making an equitable adjustment under FAR 52.230-2 and FAR 52.230-3 (Reference (g)), the CFAO shall make a determination that (1) the cost accounting practice change is required to comply with a CAS modification or interpretation thereof, that subsequently became applicable to the contract; or (2) for planned changes being made in order to remain CAS compliant, that the former cost accounting practice was in compliance with applicable CAS and the planned change is necessary to remain in compliance (48 CFR 9903.201-6(a)(2), Reference (h)). If an equitable adjustment is due the Government, the CFAO must timely issue a claim for such equitable adjustment.

3.4.3.4. When a contractor elects to implement a required change to comply with a new or modified standard prior to the applicability date of the standard, the CFAO shall administer the change as a unilateral change. Contractors shall not receive an equitable adjustment that will result in increased costs in the aggregate to the Government prior to the applicability date unless the CFAO determines that the unilateral change is a desirable change. (FAR 30.603-1(d)(2), Reference (g)).

3.4.4. Unilateral and Desirable Cost Accounting Practice Changes (FAR 30.603-2, Reference (g)). The contractor may unilaterally change its disclosed or established cost accounting practices, but the Government shall not pay any increased cost, in the aggregate, as a result of the unilateral change. If a determination is made that a change is desirable, the Government may pay increased costs. For a unilateral change (one which the CFAO has not deemed to be “desirable”), the Government will not agree to a change to a cost accounting practice that will result in the payment of aggregate increased costs by the Government. For these changes, the CFAO shall limit upward contract price adjustments to affected contracts to

the amount of downward contract price adjustments of other affected contracts, i.e. no net upward contract price adjustment shall be permitted. (48 CFR 9903.201-6(b)(3), Reference (h))

3.4.4.1. After receiving the contractor's notification and description of a change, the CFAO reviews the proposed change for adequacy and compliance (FAR 30.604, Reference (g)). If the description is both adequate and compliant, the CFAO requests the contractor to submit a General Dollar Magnitude (GDM) proposal, unless the CFAO determines the cost impact is immaterial. The GDM is intended to provide an estimated overall impact of the change on affected CAS-covered contracts and subcontracts that were awarded based on the pre-change cost accounting practices, and assist the CFAO in determining whether individual contract price or cost adjustments are required. However, the contractor may, if it chooses, submit a Detailed Cost Impact (DCI) proposal in lieu of a GDM proposal.

3.4.4.2. Additionally, when requested by the CFAO, the contractor must identify all affected CAS-covered contracts and subcontracts. After evaluating the GDM, the CFAO may determine the cost impact is immaterial and conclude the cost impact process with no adjustments; negotiate and resolve the cost impact; or request the contractor to submit a revised GDM proposal or a DCI proposal.

3.4.4.3. If the contractor fails to submit the accounting change description or a required GDM or DCI proposal within the time specified by the CFAO, the CFAO may estimate the GDM of the cost impact on affected CAS-covered contracts and subcontracts, with the assistance of the DCAA auditor. In addition, the CFAO may also withhold an amount not to exceed 10 percent of each subsequent payment on the contractor's CAS-covered contracts up to the estimated GDM until the contractor furnishes the required information. The CFAO may also issue a final decision and unilaterally adjust the contract(s) by the estimated amount of the cost impact.

3.4.4.4. The contractor must agree to appropriate contract adjustments in accordance with FAR 52.230-3(a)(4) (Reference (g)). If the contractor fails to agree, the CFAO may unilaterally adjust the contractor's CAS-covered contracts. The CFAO's inability to determine the cost impact does not deprive the Government of any remedy. Under the CAS clause in the contract, the contractor undertakes an affirmative obligation, among other obligations, to comply with all CAS in effect.

3.4.4.5. Prior to making any contract price or cost adjustments, in accordance with FAR 30.605 (Reference (g)), the CFAO shall determine that the contemplated contract price or cost adjustments will protect the Government from the payment of the estimated increased costs, and the net effect of the contemplated adjustments will not result in the recovery of more than the increased costs to the Government, in the aggregate.

3.4.4.6. Until the CFAO has determined a change to a cost accounting practice is a desirable change, the accounting change should be processed as a unilateral change for which the Government will not pay increased costs, in the aggregate (48 CFR 9903.201-6(c)(4), Reference (h)). The CFAO shall only make a desirability determination when the accounting change will not be detrimental to the interest of the Government. The CFAO shall notify the contractor (in

writing) whether the change is desirable (FAR 30.604, Reference (g)). Some factors, listed under FAR 30.603-2(b)(3) (Reference (g)), to consider in making a desirability determination include, but are not limited to:

3.4.4.6.1. Contractor must change the cost accounting practices it uses for Government contract and subcontract costing purposes to remain compliant with the provisions of FAR Part 31, Reference (g).

3.4.4.6.2. Contractor is initiating management actions directly associated with the change that will result in cost savings for segments with CAS-covered contracts and subcontracts over a period for which forward pricing rates are developed, or 5 contractor fiscal years, whichever is shorter, and the cost savings are reflected in the forward pricing rates.

3.4.4.6.3. Funds are available if the determination would result in an upward adjustment of contract cost or price.

3.4.4.7. Once a determination has been made that a compliant change to a cost accounting practice is a desirable change, associated management actions that also have an impact on contract costs should be considered when negotiating contract price or cost adjustments that may be needed to equitably resolve the overall cost impact of the aggregated actions. (48 CFR 9903.201-6(c)(3), Reference (h))

3.4.5. Evaluating the description of the accounting practice change for adequacy and compliance:

3.4.5.1. The CFAO and cost monitor or cost/price analyst shall review the proposed change for adequacy and compliance. The CFAO shall prepare a supporting memorandum to file. This memorandum will contain an affirmative statement that the CFAO agreed or disagreed with each audit and technical specialists' finding, and include sound rationale to support and/or resolve each audit or technical specialists' recommendation. The rationale must demonstrate that the CFAO has considered all relevant laws, regulations, and DCMA Instructions related to the issues raised.

3.4.5.2. If the description of the change is both adequate and compliant, the CFAO shall notify the contractor in writing and request the contractor to submit a cost impact proposal. Prior to requesting a cost impact proposal, the CFAO should determine the materiality of the costs involved, using initial cost data provided by the contractor and with assistance from the auditor,.

3.4.5.3. If the CFAO determines the cost impact of the cost accounting practice change is immaterial, notify the contractor (in writing) of such and the business function is complete.

3.4.5.4. Materiality determinations, FAR 30.602 (Reference (g)), shall be made using the criteria in 48 CFR 9903 (Reference (h)) which includes:

3.4.5.4.1. The absolute dollar amount involved.

3.4.5.4.2. The amount of contract cost compared with the amount under consideration.

3.4.5.4.3. The relationship between a cost item and a cost objective.

3.4.5.4.4. The impact on Government funding.

3.4.5.4.5. The cumulative impact of individually immaterial items.

3.4.5.4.6. The cost of administrative processing of the price adjustment modification.

3.4.5.4.7. The CMO Contracts Director or CACO/DACO Group Director shall review the immateriality determination to ensure the determination is adequately supported and documented prior to issuing the determination.

3.4.5.5. If the description of the change is inadequate, the CFAO shall notify the contractor (in writing) and request a revised description of the new cost accounting practice.

3.4.5.6. If the description of the change is noncompliant, the CFAO shall notify the contractor (in writing) that, if implemented, the cost accounting practice will be determined noncompliant and will be processed accordingly.

3.4.5.7. If the description of the change is noncompliant and the cost impact is immaterial, notify the contractor (in writing) of the noncompliance stating that the noncompliance should be corrected and if the noncompliance is not corrected, the Government reserves the right to make appropriate contract adjustments should the noncompliance become material in the future.

3.4.5.8. Prior to the CFAO issuing an adequacy or compliance determination, the determination, along with all supporting documentation which will include the supporting memorandum to file, must be reviewed by the CMO Contracts Director or CACO/DACO Group Director to ensure the determination is adequately supported and documented.

3.5. PROCESSING CAS NONCOMPLIANCES.

3.5.1. Processing CAS Noncompliances (FAR 30.605, Reference (g)). A contractor's failure to comply with CAS may be identified during the auditor's review of the disclosure statement or at any time during the performance of a CAS-covered contract or subcontract. The auditor must report any alleged noncompliance to the ACO for appropriate action. Prior to making any contract price or cost adjustments under FAR 52.230-3, FAR 52.230-7, or FAR 52.230-6 (Reference (g)), the CFAO shall determine that:

3.5.1.1. The contemplated contract price and cost adjustments will protect the Government from paying increased costs, in the aggregate.

3.5.1.2. The net effect of the adjustments being made will not result in the recovery of more than the estimated amount of such increased costs to the Government, in the aggregate. (48 CFR 9903.201-6(d)(1), Reference (h))

3.5.1.3. The net effect of any invoice adjustments made to correct an estimating noncompliance will not result in the recovery of more than the increased costs paid by the Government, in the aggregate.

3.5.1.4. The net effect of any interim and final voucher billing adjustments made to correct a cost accumulation noncompliance will not result in the recovery of more than the increased cost paid by the Government, in the aggregate.

3.5.1.5. Under FAR 52.230-3 (Reference (g)), the contractor must agree to an adjustment in contract price or a cost allowance if the contractor fails to comply with an applicable Standard or to follow any cost accounting practice consistently and such failure results in increased cost to the Government.

3.5.2. Within 15 calendar days of receipt of a report of alleged noncompliance from the contract (DCAA) auditor, the CFAO shall either notify the auditor, in writing, that the CFAO disagrees with the alleged noncompliance or issue a written notice of potential noncompliance to the contractor and provide a copy to the auditor. A copy of the notice to the auditor or contractor shall be maintained in the contract file. (FAR 30.605(b)(1), Reference (g))

3.5.2.1. The notice of potential noncompliance will notify the contractor of the exact nature of the noncompliance and allow the contractor to respond within 60 days. The contractor must concur with the notice or provide reasons why the existing practices are in compliance and must submit its rationale to support any contractor-written statement that the cost impact of the noncompliance is immaterial. (FAR 30.605(b)(2), Reference (g))

3.5.3. With audit assistance, the CFAO and cost monitor or price/cost analyst will review the contractor's response and prepare a memorandum to file in preparation for issuing a determination of CAS compliance or noncompliance.

3.5.4. The CFAO shall make a written determination of compliance or noncompliance consistent with FAR 1.704 (Reference (g)) that fully describes the basis for the determination and provide a copy of the determination to the contractor and auditor.

3.5.4.1. If the CFAO makes a compliance determination, the business function is complete and a cost impact determination is not required.

3.5.4.2. If the CFAO makes a noncompliance determination and the cost impact is immaterial, the written determination shall inform the contractor that the noncompliance must be corrected. If the noncompliance is not corrected, the Government reserves the right to make appropriate contract adjustments should the noncompliance become material in the future.

3.5.4.3. If the CFAO makes a noncompliance determination that is not accompanied by an immateriality determination, the written determination shall request the contractor to submit a description of any cost accounting practice change required to correct the noncompliance and a GDM proposal, within 60 days. The contractor may submit a DCI proposal in lieu of a GDM proposal, but is only required to submit a DCI if the CFAO determines the GDM is insufficient to resolve the cost impact. (FAR 30.605(c), (e)(2) and (f), Reference (g))

3.5.4.4. Prior to issuance, the written determination shall be reviewed by assigned legal counsel in accordance with DCMA-INST 905 (Reference (1)) and the CMO Contracts Director or the CACO/DACO Group Director to ensure the determination is adequately supported and documented. The U.S. Court of Federal Claims and the ASBCA have each ruled that a Contracting Officer-issued determination of CAS noncompliance that includes a demand for the contractor to change its noncompliant practice, constitutes a Government claim which is appealable by the contractor. If a determination of CAS noncompliance is issued to a contractor, it must be followed-up with a timely-issued Contracting Officer's Final Decision, asserting a Government claim and debt demand for any cost impact of the CAS noncompliance.

3.6. RESOLVING COST IMPACT OF ACCOUNTING PRACTICE CHANGES AND CAS NONCOMPLIANCES

3.6.1. A cost impact proposal is required for all accounting practice changes and CAS noncompliances unless a determination of immateriality is made in conjunction with the disclosure statement adequacy and compliance determination or CAS noncompliance determination. There are two types of cost impact proposals:

3.6.1.1. General Dollar Magnitude (GDM) Proposal. The Contractor prepares a GDM proposal, which at a minimum will include the total increase or decrease in contract and subcontract prices by Executive agency, including the impact to incentives, fees, and profits for fixed price and flexibly priced contracts and subcontracts. The GDM will also indicate the increased or decreased costs to the Government by fixed price and flexibly priced contracts and subcontracts, as well as, the total overpayment and underpayments by contract type made by the Government during the period of noncompliance.

3.6.1.2. Detailed Cost Impact (DCI) Proposal. The contractor may submit a DCI in lieu of a GDM. The CFAO may require the contractor to submit a DCI instead of a GDM, if the CFAO determines that the GDM proposal is not sufficient to resolve the cost impact. A DCI proposal will show the increase or decrease in price and cost accumulations as applicable for each affected CAS-covered contract and subcontract and must include the same minimum data that the GDM proposal includes (FAR 30.605(d)(3), (e)(2), and (f), Reference (g)).

3.6.1.3. If the contractor does not submit an adequate cost impact proposal (GDM or DCI, as required) within the date specified by the CFAO, or any extension granted, the CFAO, with audit assistance, shall estimate the GDM of the cost impact on affected CAS-covered contracts.

3.6.1.4. Using the estimated GDM of the cost impact, the CFAO may take one or both of the following actions (FAR 30.605(i), Reference (g)):

3.6.1.4.1. Withhold an amount not to exceed 10 percent of each subsequent payment related to the contractor's CAS-covered contracts (up to the estimated GDM of the cost impact) until the contractor submits the cost impact proposal; and/or

3.6.1.4.2. Issue a Contracting Officer's final decision in accordance with FAR 33.211 (Reference (g)) and unilaterally resolve the cost impact by adjusting a single contract, several but not all contracts, or any other suitable method. (FAR 30.604(i) and FAR 30.606(a)(2), Reference (g))

3.6.1.4.2.1. If the CFAO decides not to implement the withhold, the rationale supporting the decision to not withhold shall be reviewed by the CMO Contracts Director or CACO/DACO Group Director.

3.6.1.4.2.2. If the CFAO issues a final decision, it must be done in accordance with DCMA-INST 104, "Contract Debt" (Reference (o)) and DCMA-INST 905 (Reference (l)). The CFAO shall forward a copy of the final decision and evidence of the contractor's receipt of the final decision to DCMA's Contract Disputes Resolution Center.

3.6.1.4.2.3. A Government claim for CAS noncompliance of a subcontractor cannot be asserted directly against the subcontractor because there is no privity of contract between the subcontractor and the Government. In the case of a subcontractor CAS noncompliance, any Government claim must be asserted against the relevant prime contractor. The Government's remedy for a subcontractor's CAS noncompliance is to adjust the price or cost allowance of the prime contract.

3.6.2. With audit assistance, the CFAO and cost monitor or cost/price analyst shall analyze the cost impact proposal and develop a negotiation position on all CAS-covered contracts and subcontracts.

3.6.2.1. In resolving the cost impact, the CFAO shall not combine the cost impacts of a required change and a unilateral change; a required change and a noncompliance; a desirable change and a unilateral change; or a desirable change and a noncompliance. The cost impact of one or more unilateral changes, one or more noncompliances, and unilateral changes and noncompliances shall not be combined unless all the cost impacts are increased costs to the Government. (FAR 30.606 (a)(3)(i) and (ii), Reference (g))

3.6.2.1.1. FAR 32.606(a)(3)(iii) (Reference (g)) allows the CFAO to consider the cost impacts of a unilateral change affecting two or more segments to be a single change if the change affects the flow of costs between segments, or if it implements a common cost accounting practice for two or more segments.

3.6.2.2. The cost impact proposal shall include all open and closed affected CAS-covered contracts and subcontracts regardless of the fiscal year in which the costs were incurred.

The cost impact may be combined for all affected CAS-covered contracts and subcontracts for all segments if the effect of a change results in costs flowing between those segments. (FAR 30.605(h)(1) and (2), Reference (g))

3.6.2.3. FAR 30.605(h)(3) and (4) (Reference (g)) describe the differences in how to determine increased costs to the government for fixed price and flexibly priced contracts and subcontracts when the noncompliance relates to either estimating costs or accumulating costs.

3.6.2.4. FAR 30.605(h)(6) (Reference (g)) describes how to determine the cost impact of each noncompliance.

3.6.2.5. The prenegotiation memorandum shall be written in accordance with DCMA-INST 120, "Pricing and Negotiation" (Reference (p)). It will provide an affirmative statement that the CFAO agreed or disagreed with each audit and technical specialist's finding and include sound rationale to support or resolve each audit or technical specialist's recommendation. The rationale must demonstrate that the CFAO has considered all appropriate laws, regulations, and DCMA Instructions related to the issues raised.

3.6.2.6. The prenegotiation objective memorandum shall be reviewed by the CMO Contracts Director or CACO/DACO Group Director to ensure the negotiation position is adequately supported and documented.

3.6.2.7. The prenegotiation objective memorandum shall be subject to a DCMA Board of Review, in accordance with DCMA-INST 134 (Reference (j)), as applicable.

3.6.3. Materiality Determination. A materiality determination may be made before or after a GDM has been submitted. After receipt of a GDM, if the cost impact is immaterial, the CFAO shall make a written determination that the cost impact resulting from the accounting practice change or CAS noncompliance is immaterial and the business function is complete.

3.6.3.1. Materiality determinations (FAR 30.602, Reference (g)), shall be made using the criteria in 48 CFR 9903 (Reference (h)) which includes:

3.6.3.1.1. The absolute dollar amount involved.

3.6.3.1.2. The amount of contract cost compared with the amount under consideration.

3.6.3.1.3. The relationship between a cost item and a cost objective.

3.6.3.1.4. The impact on Government funding.

3.6.3.1.5. The cumulative impact of individually immaterial items.

3.6.3.1.6. The cost of administrative processing of the price adjustment modification.

3.6.3.1.7. The CMO Contracts Director or CACO/DACO Group Director shall review the immateriality determination to ensure the determination is adequately supported and documented prior to issuing the determination.

3.6.4. Interest. The CFAO shall identify interest on any increased cost paid in the aggregate as a result of the noncompliance and the interest is computed, compounded daily, from the date of overpayment by the Government to the contractor to the date of repayment by the contractor to the Government, using the rate specified in 26 U.S.C. 6621(a)(2), (Reference (q)).

3.6.5. The CAS clauses FAR 52.230-3 and 52.230-6 (Reference (g)) provide for three different types of contract adjustments to resolve contractor changes to disclosed or established accounting practices: (1) an equitable adjustment under the Changes clause of the contract for required and desirable changes; (2) an adjustment of contract price or cost allowance as appropriate, if the contractor or a subcontractor fail to comply with the applicable CAS or to follow any cost accounting practice, and such failure results in any increased cost paid by the Government; and (3) a negotiated agreement that may not result in increased costs paid by the Government for unilateral changes. Before making any contract price or cost adjustment for a unilateral change, the ACO is required to “make a finding that the contemplated contract price and cost adjustments will protect the United States from payment of increased costs, in the aggregate; and that the net effect of the adjustments being made does not result in the recovery of more than the estimated amount of such increased costs.” Additionally, in the absence of a finding that the change is desirable, no agreement may be made that will result in the payment by the United States of aggregate increased costs. The CAS Board regulation further instructs the CFAO to “limit upward price adjustments to affected contracts to the amount of downward contract price adjustments of other affected contracts, i.e. no net upward contract price adjustments shall be permitted.” (48 CFR. 9903.201-6(b)(1) and (3), Reference (h))

3.6.5.1. Whichever form of contract adjustment is selected by the CFAO to be used to effectuate an adjustment, it must be timely claimed by the CFAO within the 6-year CDA Statute of Limitations period. If an equitable adjustment is selected to be used to recover costs paid by the Government, a Government claim for the equitable adjustment must be timely asserted against the contractor by issuance of a Contracting Officer’s Final Decision which includes a demand for the debt amount.

3.6.6. The CFAO shall negotiate and resolve the cost impact on behalf of all Government agencies. If negotiations are not successful, the CFAO shall issue a final decision in accordance with FAR 33.211 as required by FAR 30.606 (c)(6)(ii) (Reference (g)) and unilaterally take action by adjusting a single contract, several but not all contracts, or all contracts or some other suitable method to recover the estimated amount of the cost impact (48 CFR 9903, Reference (h)). In accordance with DCMA-INST 104 (Reference (o)), the CFAO shall forward a copy of the final decision and evidence of the contractor’s receipt of the final decision to DCMA’s Contract Disputes Resolution Center.

3.6.6.1. Upon negotiation completion, the CFAO shall prepare a price negotiation memorandum and make contract price adjustments, or any other suitable method, to resolve the cost impact in accordance with FAR 30.606 (Reference (g)). If the parties negotiate a settlement,

its terms should be memorialized in a settlement agreement signed by the ACO and the contractor.

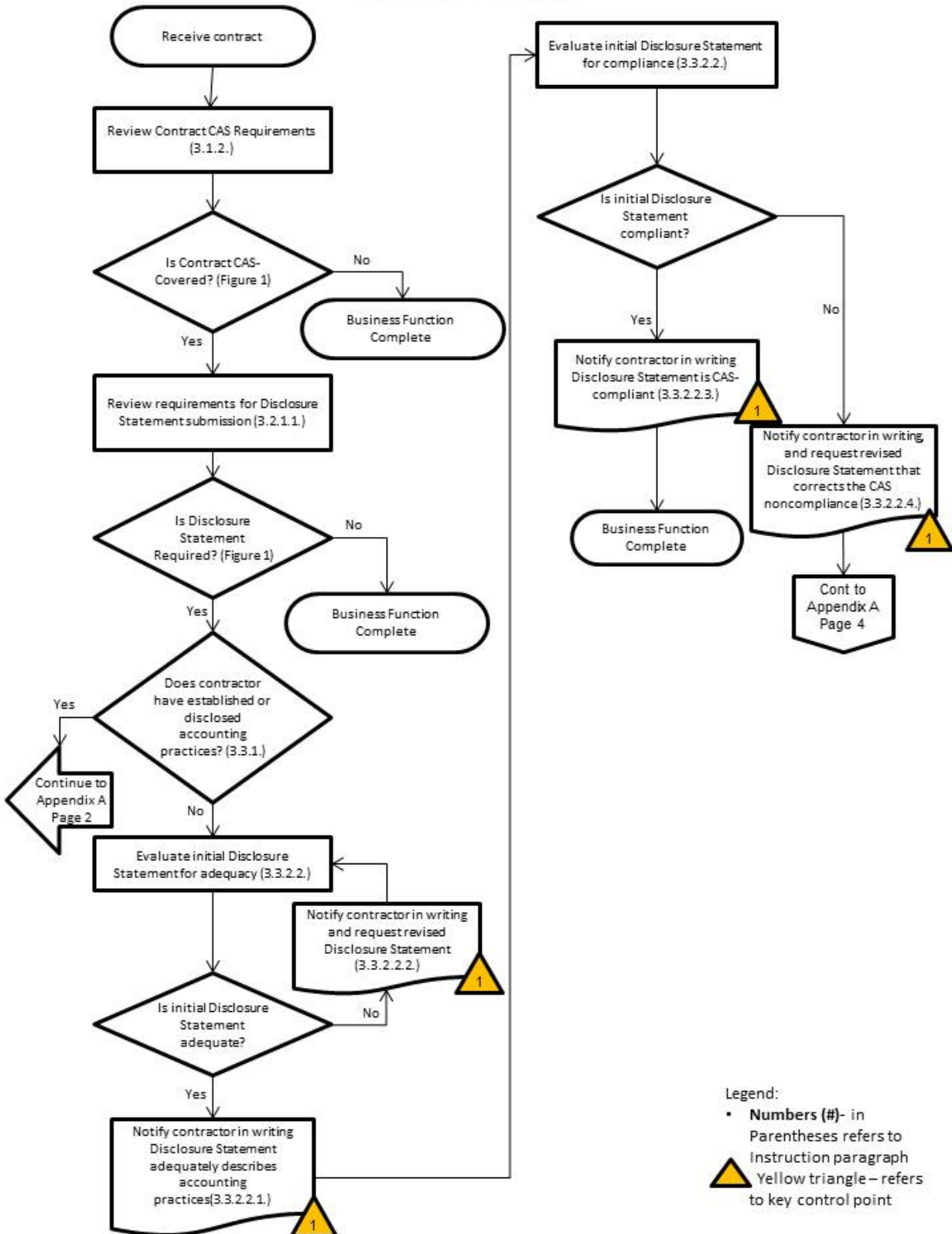
3.6.6.1.1. The price negotiation memorandum shall adequately document the outcome of the negotiation in accordance with DCMA-INST 120 (Reference (p)).

3.6.6.1.2. The price negotiation memorandum shall be reviewed by the CMO Contracts Director or CACO/DACO Group Director to ensure the negotiation is adequately supported and documented.

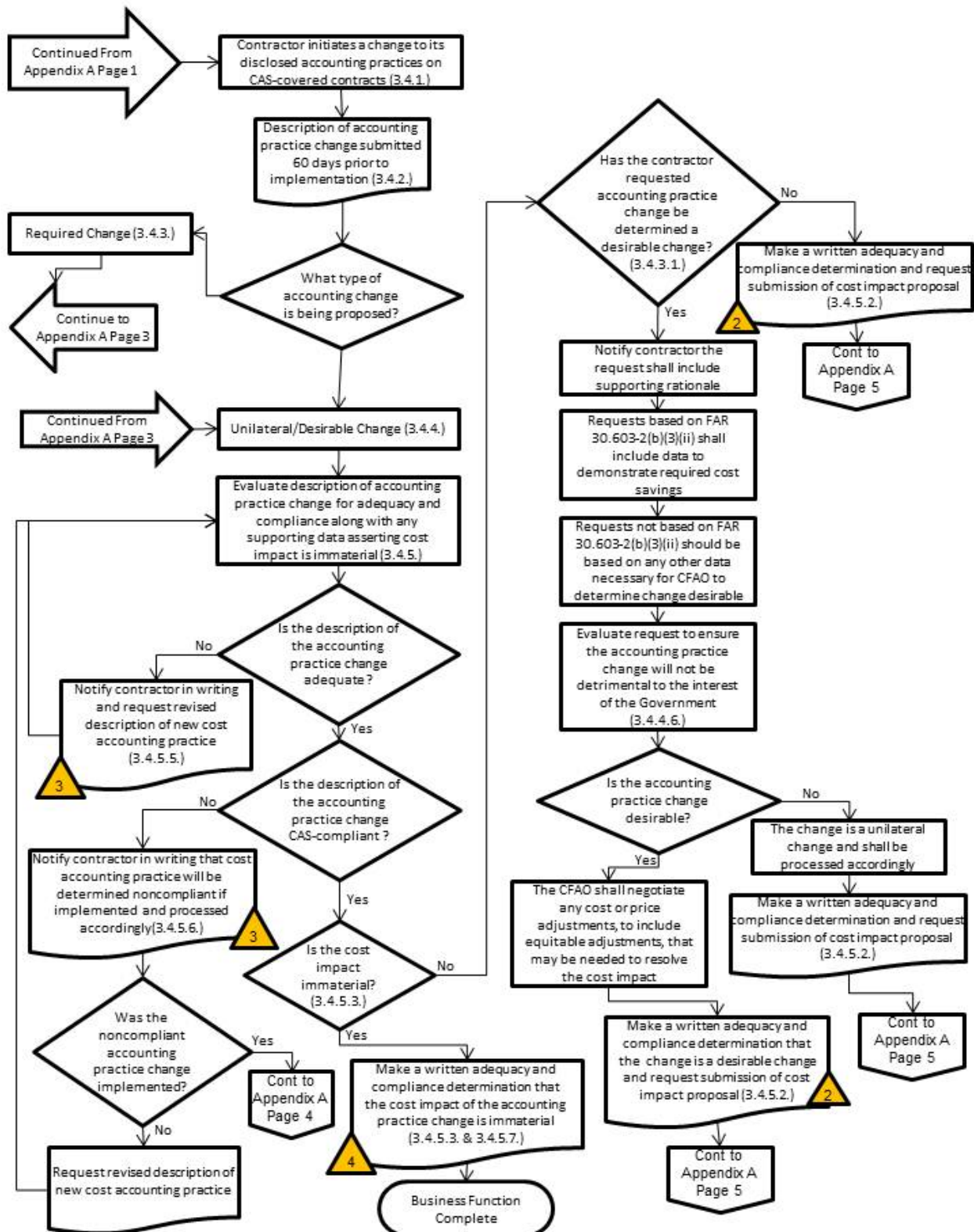
3.6.7. The CFAO shall resolve the cost impact by adjusting a single contract, several but not all contracts, or all contracts or any other suitable method (48 CFR 9903, Reference (h)). The CFAO has the sole authority for negotiating and resolving the cost impact, but shall coordinate with the affected contracting officers before negotiating and resolving the cost impact when the estimated impact on any of their contracts is at least \$100,000. (FAR 30.606(a), Reference (g))

APPENDIX A

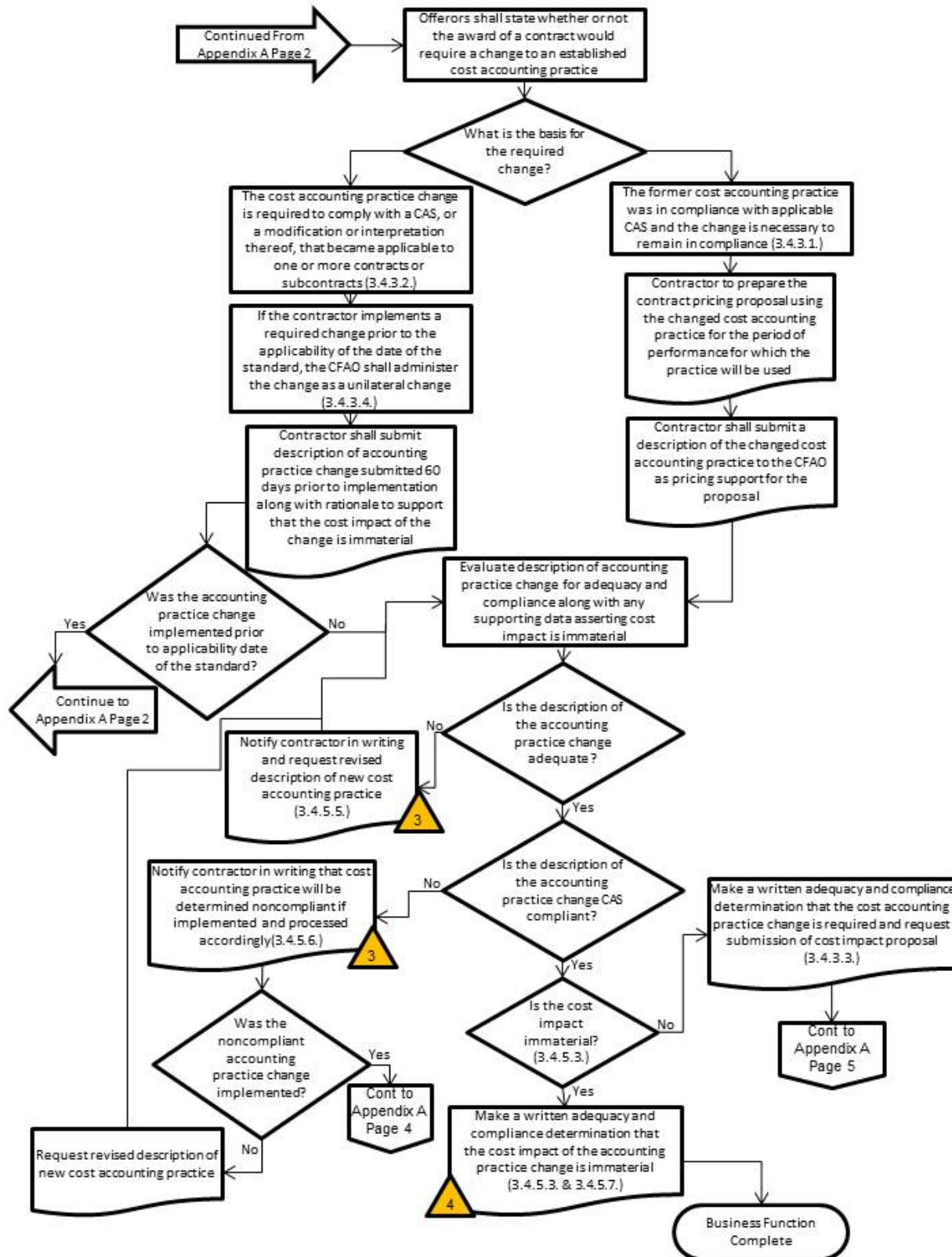
FAR 30.202-7, Determinations

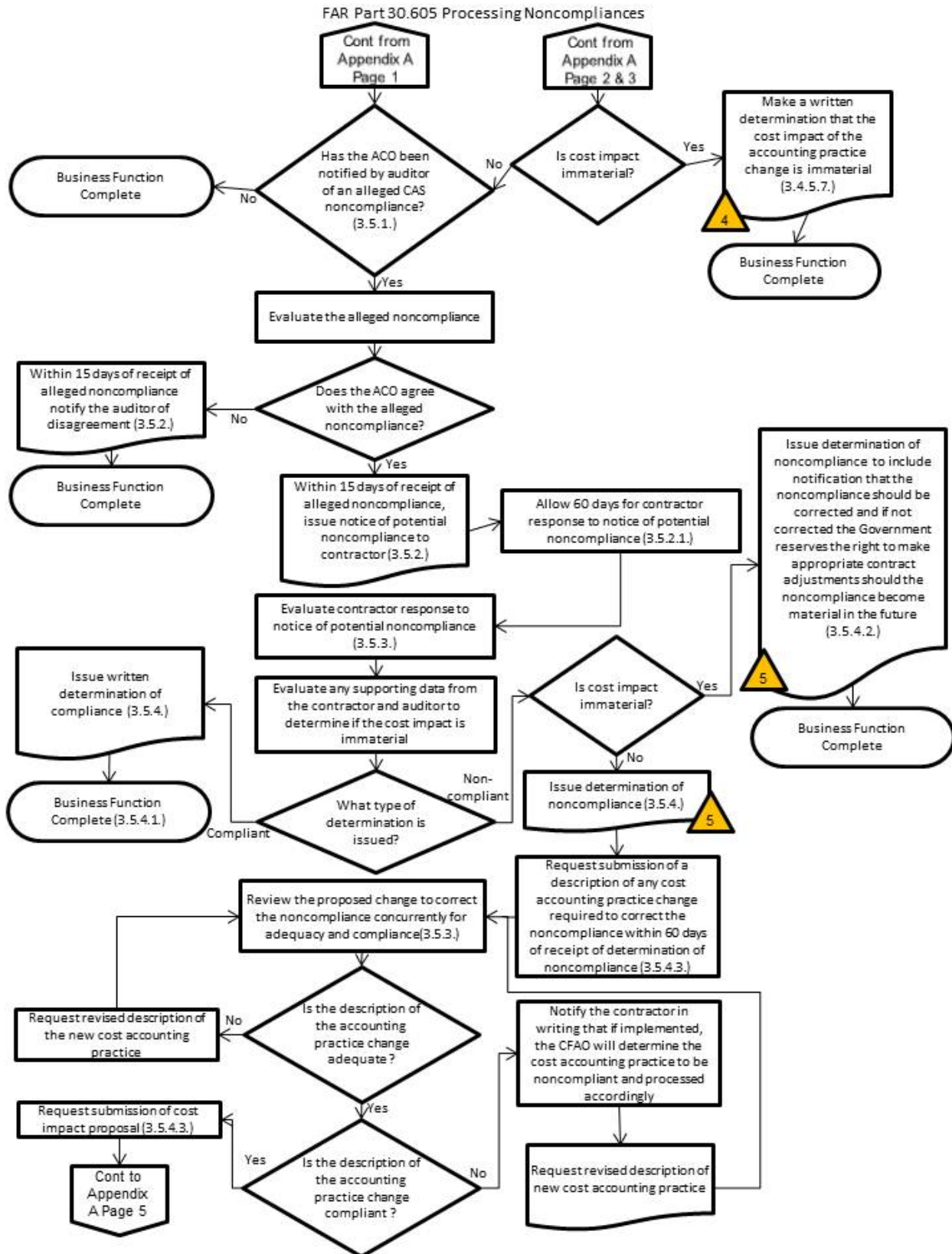


FAR Part 30.604 Processing Changes to Disclosed or Established Practices

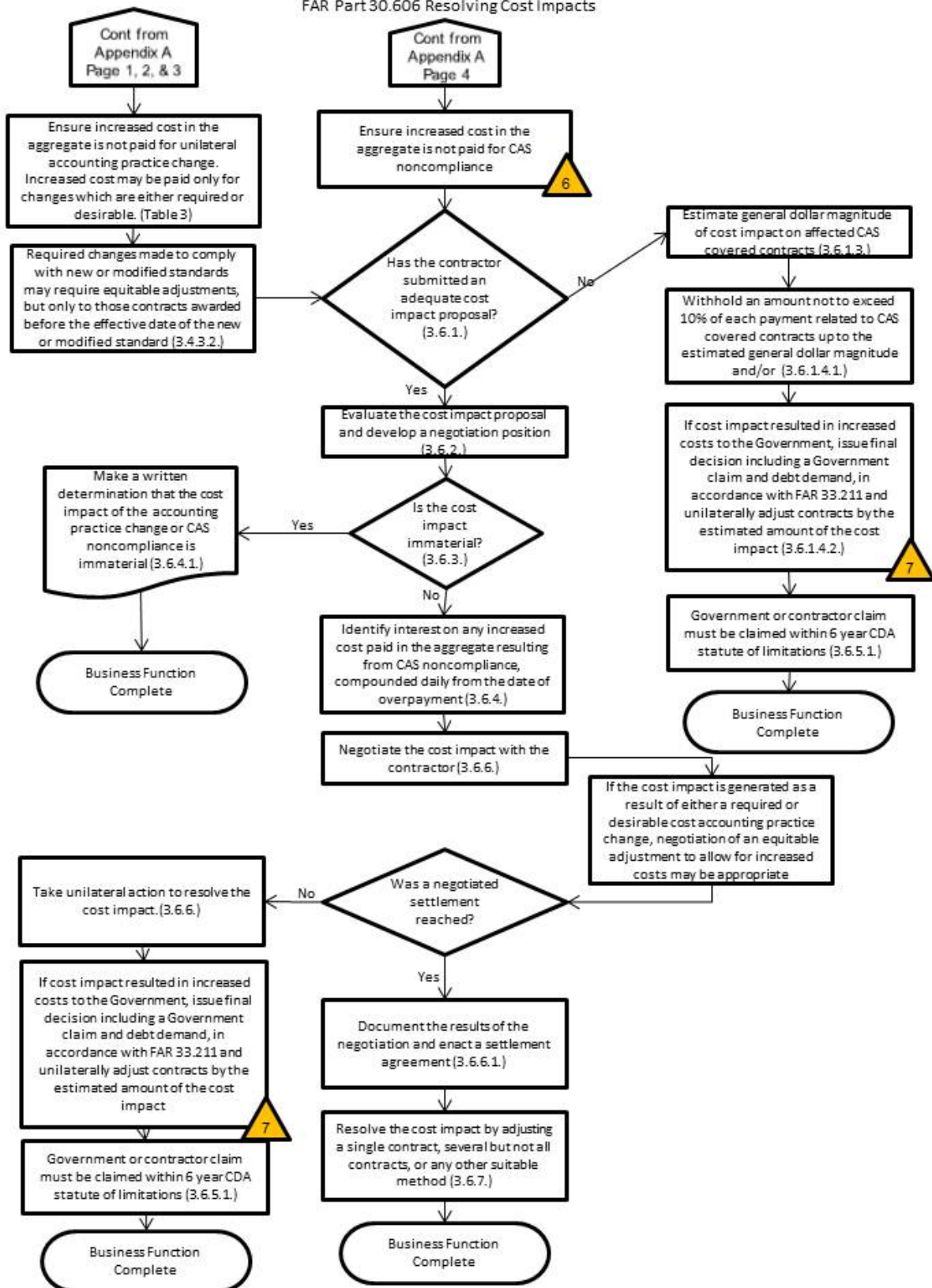


FAR Part 30.603-1 and FAR 30.604 Processing Required Changes to Disclosed or Established Practices



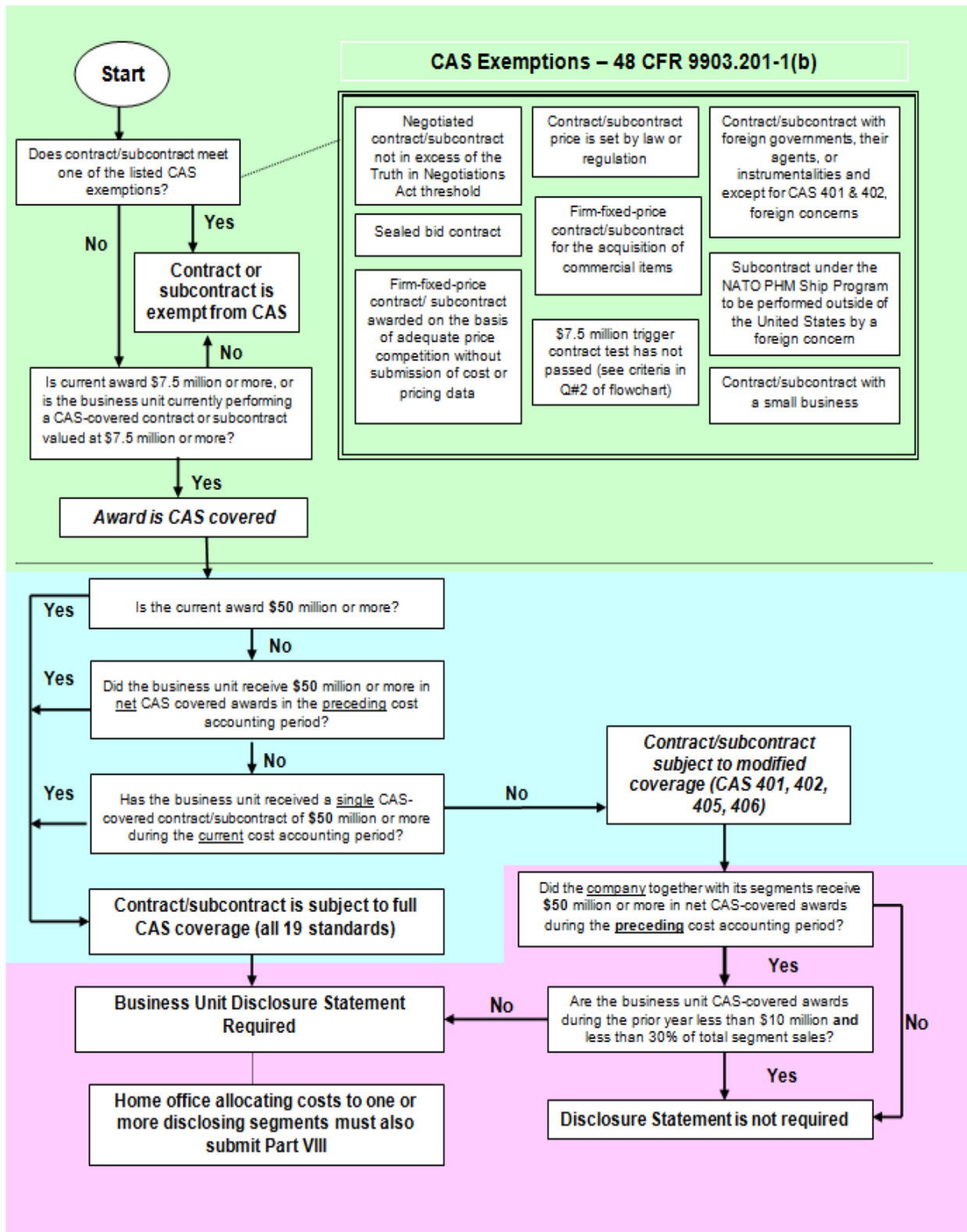


FAR Part 30.606 Resolving Cost Impacts



Key Control	Functional Area	Risk	Possible Controls
1	FAR 30.202-7 Determination requirements	-Unsupported determinations made by ACO	-Supervisory level review of determination and supporting documentation
2	Accounting Practice Change – Desirability Determination	-Payment of increased costs to the Government	-Supervisory level review of determination and supporting documentation -Use of FAR 30.603-2(b)(3) criteria
3	Adequacy and Compliance Determinations	-Unsupported determinations made by ACO	-Supervisory level review of determination and supporting documentation
4	Immateriality Determination – Cost Accounting Practice Change	-Unsupported determinations made by ACO	-Supervisory level review of determination and supporting documentation - Use of 48 CFR 9903.305 criteria
5	CAS Compliance Determinations	-Unsupported determinations made by ACO	-Supervisory level review of determination and supporting documentation
6	Accounting Practice Change/CAS Noncompliance Cost Impact	-Government pays increased cost -Cost impact proposal not provided	-Supervisory level review of determination and supporting documentation -Withhold not to exceed 10% of Government estimated cost impact -Contracting Officer Final Decision -Interest recovered on increased costs paid
7	Contracting Officer Final Decisions	-Unable to recover any increased costs paid by the Government	-Supervisory level review of final decision and supporting documentation -Legal review of final decision and supporting documentation

FIGURE 1
Figure 1 – CAS Coverage and Disclosure Statement Determination



DEFINITIONS

(From FAR 30.001 unless otherwise noted)

Affected CAS-Covered Contract or Subcontract – contract or subcontract subject to Cost Accounting Standards (CAS) rules and regulations for which a contractor or subcontractor used one cost accounting practice to estimate costs and a changed cost accounting practice to accumulate and report costs under the contract or subcontract; or used a noncompliant practice for purposes of estimating or accumulating and reporting costs under the contract or subcontract.

Cognizant Federal Agency Official (CFAO) – contracting officer assigned by the cognizant Federal agency to administer CAS.

Desirable Change – a compliant change to a contractor's established or disclosed cost accounting practices that the CFAO finds is desirable and not detrimental to the Government and is, therefore, not subject to the no-increased-cost prohibition provisions of CAS-covered contracts and subcontracts affected by the change.

Detailed Cost Impact (DCI) Proposal (FAR 30.604(g) and (h)) – A proposal that calculates the cost impact including all affected CAS-covered contracts and subcontracts regardless of their status (open or closed) or the fiscal year(s) in which the costs are incurred (whether or not the final indirect rates have been established).

Disclosure Statement (48 C.F.R. 9903.202-1) – a written description of a contractor's cost accounting practices and procedures. The statement is required to be submitted using a Disclosure Statement Form CASB DS-1 or CASB DS-2 for educational institutions, and requires the contractor to provide information on its operations and specific information on the accounting for specific types of costs.

General Dollar Magnitude (GDM) Proposal (FAR 30.604(e)) – provides information on the estimated overall impact of a change in cost accounting practice on affected CAS-covered contracts and subcontracts that were awarded based on the previous cost accounting practice.

Noncompliance – a failure in estimating, accumulating, or reporting costs to comply with applicable CAS or consistently follow disclosed or established cost accounting practices.

Required Change – a change in cost accounting practice that a contractor is required to make in order to comply with applicable Standards, modifications or interpretations thereto, that subsequently becomes applicable to an existing CAS-covered contract or subcontract due to receipt of another CAS-covered contract or subcontract; or a prospective change to a disclosed or established cost accounting practice when the CFAO determines that the former practice was in compliance with applicable CAS and the change is necessary for the contractor to remain in compliance.

Unilateral Change – a change in cost accounting practice from one compliant practice to another compliant practice that a contractor with CAS-covered contract(s) or subcontract(s) elects to make that has not been deemed a desirable change by the CFAO and for which the Government will pay no aggregate increased costs.

ACRONYMS

ACO	Administrative Contracting Officer
AIT	Audit Issue Tracking
CACO	Corporate Administrative Contracting Officer
CAS	Cost Accounting Standards
CASB	Cost Accounting Standards Board
CASB DS	Cost Accounting Standards Board Disclosure Statement Form
CBAR	Contract Business Analysis Repository
CDA	Contract Disputes Act
C/DACO	Corporate/Divisional Administrative Contracting Officer
CFAO	Cognizant Federal Agency Official
CFR	Code of Federal Regulations
CMO	Contract Management Office
DACO	Divisional Administrative Contracting Officer
DCI	detailed cost impact
DCMA-INST	DCMA Instruction
FAR	Federal Acquisition Regulation
FOIA	Freedom of Information Act
GDM	general dollar magnitude
PCO	Procuring Contracting Officer
PLAS	Performance Labor Accounting System
U.S.C.	United States Code