

Contract Formation

Activity 25: Cost Accounting Standards

Procedures for determining the applicability of Cost Accounting Standards to a given acquisition.

Related Flow Charts: [Flow Chart 25](#)

Tasks	FAR Reference(s)	Additional Information
1. Determine if a proposed contract or subcontract is exempt from cost accounting standards (CAS) requirements.	FAR 30.201-1 CAS applicability [CAS program requirements]. 48 C.F.R. 9903.201-1 CAS applicability.	The following categories of contracts and subcontracts are exempt: <ul style="list-style-type: none">• Sealed bid contracts.• Negotiated contracts and subcontracts not in excess of the Truth in Negotiations Act threshold, as adjusted for inflation.• Contracts and subcontracts with small businesses.• Contracts and subcontracts with foreign governments or their agents or instrumentalities. In addition, CAS coverage of any award to a foreign concern is limited to CAS 401 and 402.• Contracts and subcontracts in which the price is set by law or regulation.• Firm fixed-priced and fixed-price with economic price adjustment (provided that price adjustment is not based on actual costs incurred) contracts and subcontracts for the acquisition of commercial items.• Contracts or subcontracts of less than \$7.5 million, unless at the time of award, the business unit is performing a CAS-covered contract or subcontract valued at \$7.5 million or more.• Subcontracts under the North Atlantic Treaty Organization (NATO) Patrol Missile Hydrofoil Ship program to be performed outside the United States by a

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		<p>foreign concern.</p> <ul style="list-style-type: none"> Firm-fixed-price contracts or subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data.
<p>2. Incorporate any required CAS-related solicitation provisions.</p>	<p>FAR 52.230-1 Cost accounting standards notices and certifications.</p>	<p>If the contract will not obviously be exempt from CAS (e.g., a small business set-aside), include Cost Accounting Standards Notices and Certification in the solicitation.</p>
<p>3. Determine which type of coverage applies to the prime contract and each subcontract.</p>	<p>48 C.F.R. 9903.201-2 Types of CAS coverage.</p>	<p>There are two types of CAS coverage for commercial contracts and subcontracts: full coverage and modified coverage.</p>
<p>3a. Determine if the contract has full CAS coverage.</p>	<p>48 C.F.R. 9903.201-2 Types of CAS coverage.</p>	<p>Full coverage applies to contractor business units that receive CAS-covered contract award of \$50 million or more; or received \$50 million or more in net CAS-covered awards during its preceding cost accounting period.</p> <p>The business unit must comply with all standards in effect on the date of the contract award and with any standard that becomes applicable because of later award of a CAS-covered contract.</p>
<p>3b. Determine if the contract has modified CAS coverage.</p>	<p>48 C.F.R. 9903.201-2 Types of CAS coverage.</p> <p>48 CFR 9903.201-2(c) Types of coverage. [Coverage for educational institutions]</p> <p>48 CFR 9903.202-2(e) Types of CAS coverage. [Foreign concerns.]</p>	<p>Modified coverage applies if the offeror certified that it is eligible for and elects to use modified coverage; or a contractor business with less than \$50 million in awards that receives less than \$50 million in net CAS-covered awards in the immediately preceding cost accounting period.</p> <p>Modified coverage requires that the contractor comply with CAS 401, 402, 405, and 406.</p>

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4. Determine whether to request a waiver of CAS requirements.	FAR 30.201-5 Waiver 48 C.F.R. 9903.201-5 Waivers.	<p>The head of the agency may grant a waiver when one of the following conditions exists:</p> <ul style="list-style-type: none"> • The contract or subcontract value is less than \$15,000,000, and the head of the agency determines, in writing, that the segment of the contractor or subcontractor that will perform the contract or subcontract: <ul style="list-style-type: none"> ○ Is primarily engaged in the sale of commercial items; and ○ Has no contracts or subcontracts that are subject to CAS. • The head of the agency determines that exceptional circumstances exist whereby a waiver of CAS is necessary to meet the needs of the agency. Exceptional circumstances exist only when the benefits to be derived from waiving the CAS outweigh the risk associated with the waiver. The determination that exceptional circumstances exist must: <ul style="list-style-type: none"> ○ Be set forth in writing; and ○ Include a statement of the specific circumstances that justify granting the waiver.

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5. Request a waiver of CAS requirements.	FAR 30.201-5(c) Waiver.	<p>When a waiver appears appropriate, the request for waiver should include the following:</p> <ul style="list-style-type: none"> • The amount of the proposed award. • A description of the contract or subcontract type (e.g., firm-fixed-price, cost-reimbursement). • Whether the segment(s) that will perform the contract or subcontract has CAS-covered contracts or subcontracts. • A description of the item(s) being procured. • When the contractor or subcontractor will not accept the contract or subcontract if CAS applies, a statement to that effect. • Whether certified cost or pricing data will be obtained, and if so, a discussion of how the data will be used in negotiating the contract or subcontract price. • The benefits to the Government of waiving CAS. • The potential risk to the Government of waiving CAS. • The date by which the waiver is needed. • Any other information that may be useful in evaluating the request.

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<p>6. Incorporate the applicable CAS clauses in a negotiated contract.</p>	<p>FAR 30.201-4 Contract clauses [CAS program requirements].</p> <p>FAR 52.230-1 Cost accounting standards notices and certifications.</p> <p>FAR 52.230-2 Cost accounting standards.</p> <p>FAR 52.230-3 Disclosure and consistency of cost accounting practices.</p> <p>FAR 52.230-4 Disclosure and consistency of cost accounting practices-foreign concerns.</p> <p>FAR 52.230-5 Cost accounting standards-Educational Institution.</p> <p>FAR 52.230-6 Administration of cost accounting standards.</p>	<p>Based on the firm's response to Cost Accounting Standards Notices and Certifications and other available information, select the appropriate clauses. Insert the:</p> <ul style="list-style-type: none"> • Cost Accounting Standards clause, if applicable; • Disclosure and Consistency of Cost Accounting Practices clause, if applicable; • Disclosure and Consistency of Cost Accounting Practices—Foreign Concerns clause, if applicable; • Cost Accounting Standards—Educational Institution, if applicable; and • Administration of Cost Accounting Standards clause, if applicable.
<p>7. Determine whether a Disclosure Statement is required prior to award.</p>	<p>FAR 30.202-6 Responsibilities [disclosure requirements].</p> <p>48 C.F.R. 9903.202 Disclosure requirements.</p>	<p>A disclosure statement is a written description of a contractor's cost accounting practices and procedures.</p> <p>Unless the agency head determines that it is impractical, secure a completed disclosure statement.</p> <p>When the agency head determines that it is impractical to secure a required disclosure statement prior to contract award, the agency head must, within 30 days, report all material facts to the Cost Accounting Standards Board.</p> <p>The Disclosure Statement is required to be submitted using the CASB DS-1 or CASB DS-2 form. The form should address the contractor's general information regarding its operations and specific information on the types of specific costs.</p>

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<p>8. Obtain a written determination from the cognizant federal agency official stating that the required Disclosure Statement is adequate.</p>	<p>FAR 30.202-6(b) Responsibilities.</p>	<p>A CAS-covered contract cannot be awarded until the cognizant federal agency official (CFAO) has made a written determination that a required Disclosure Statement is adequate unless, in order to protect the Government's interest, the agency head, on a nondelegable basis, authorizes award without obtaining submission of the required Disclosure Statement (see 48 CFR 9903.202-2). In this event, the contractor must submit the required Disclosure Statement and the CFAO must make a determination of adequacy as soon as possible after the award.</p>
<p>9. Assign the contract to the cognizant administrative contracting officer (ACO) for CAS administration.</p>	<p>FAR 3-.601(b) Responsibility.</p>	<p>Within 30 days after the award of any new contract subject to CAS, the contracting officer making the award must request the CFAO to perform administration for CAS matters (see FAR Subpart 42.2). For subcontract awards, the contractor awarding the subcontract must follow the procedures at FAR 52.230-6(l), (m), and (n).</p>