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Quick Reference Guide to Cost Accounting Standards Articles and Forms

For Reference

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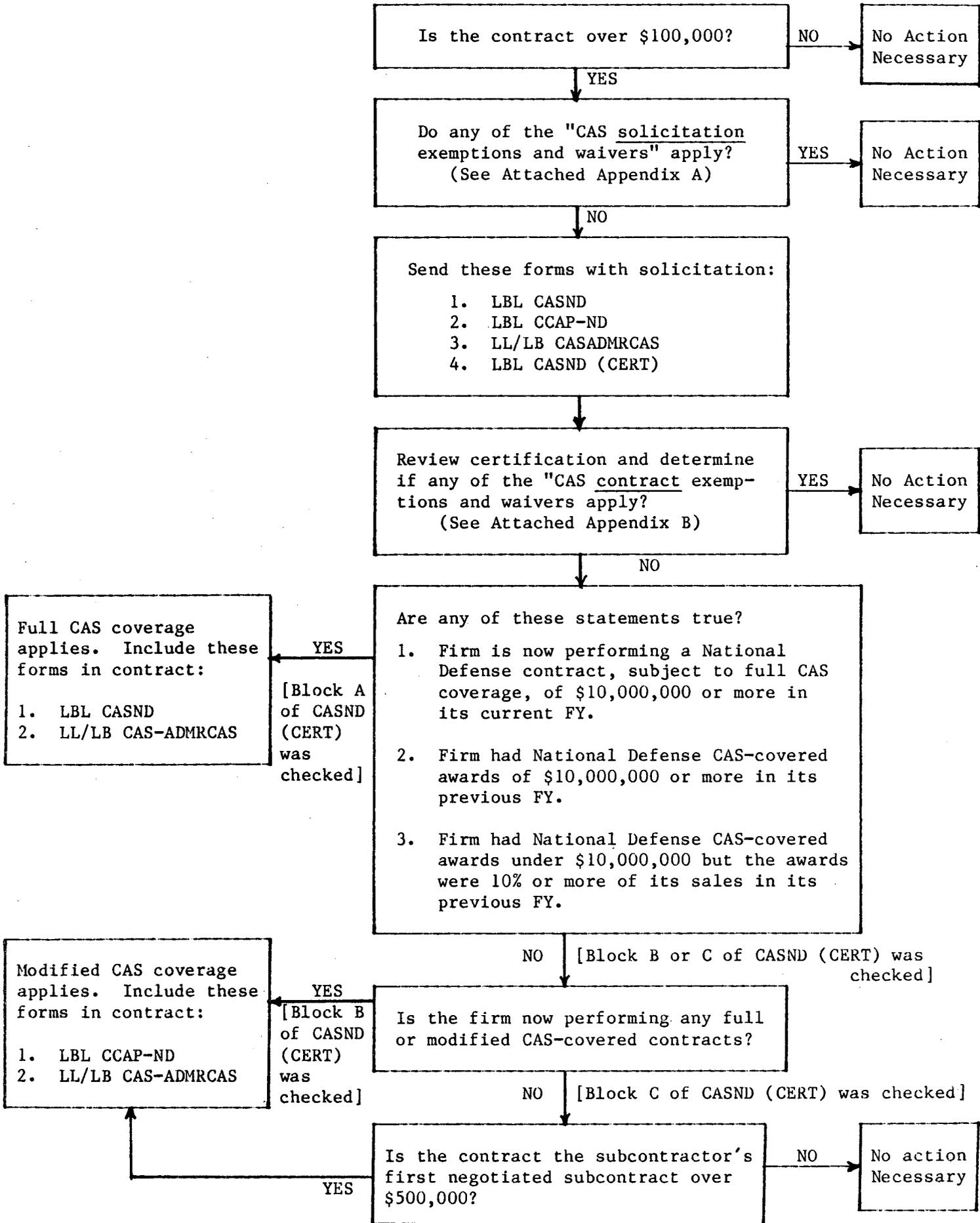
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INTRODUCTION

This quick reference guide was developed to fill the information gap between the practitioner who deals with the subject frequently and the person who only rarely encounters the subject but needs to know enough to recognize it and begin to deal with and understand it. The guide is by no means meant to make the reader an expert on the subject, but should serve as a handy reference on the major aspects of the topic. The decision chart should assist the reader in understanding the "big picture" and making the proper determinations relative to the subject.

USE OF COST ACCOUNTING STANDARDS ARTICLES AND FORMS



Cost Accounting Standards
Solicitation Exemptions And Waivers

No cost accounting standard related articles and forms are required in solicitations when any of these exemptions apply:

- a. The price is based on established catalog or market prices of commercial items sold in substantial quantities to the general public,
- b. The price is set by law or regulation,
- c. The solicitation is limited to small business concerns,
- d. The solicitation is limited to educational institutions subject to the cost principles in Subpart 1-15.3, except that the notice shall be inserted in solicitations sent to federally funded research and development centers operated by an educational institution,
- e. The contracts will be executed and performed in their entirety outside the United States, its territories and possessions, or
- f. The solicitation is sent exclusively to (i) foreign governments or instrumentalities of such governments (ii) State, local, or federally-recognized Indian tribal governments, and (iii) hospitals, when all potential offerors are exempt pursuant to Section 1-3.1203-2(c)(4).

If one of the above exemptions do not apply the following articles are to be included in the solicitation:

- (1) "Cost Accounting Standards - Nondefense Contract" (LL/LB CASND). To cover full contract coverage;
- (2) "Consistency of Cost Accounting Practices - Nondefense Contract" (LL/LB) (CCAP-ND). To cover modified contract coverage;
- (3) "Administration of Cost Accounting Standards (LL/LB CASADMRCAS);
- (4) "Cost Accounting Standards Certification Nondefense Applicability" (LL/LB CASND CERT). To determine if full, modified, or no CAS coverage is required in the resulting subcontract.

Cost Accounting Standards Contract Exemptions and Waivers

Cost Accounting standards articles and forms are not required to be included in contracts when:

1. The price is based on established catalog or market prices of commercial items sold in substantial quantities to the general public;
2. The price is set by Law or regulation;
3. The subcontract is awarded to a small business concern;
4. The subcontract is to be executed and performed in its entirety outside the United States, its territories and possessions;
5. A contract is awarded to a labor surplus area concern pursuant to procedures providing for a partial set-aside for such concern as set out in DAR 1-804;
6. A contract or subcontract is awarded to a foreign government or an agency or instrumentality of such government, or insofar as the requirements of Cost Accounting Standards 403 (CFR Part 403) or any subsequent standards are concerned, the contract or subcontract is awarded to a foreign concern;

Note - This exemption does not relieve foreign concerns of any obligation to comply with the Cost Accounting Standards set forth in 4 CFR Parts 401 and 402 and to submit a Disclosure Statement;

7. A subcontract is to be performed outside the United States either by an agency of a foreign government or by a foreign concern in connection with the class of hydrofoil guided missile ship known as the "NATO PHM Ship";
8. A contract or subcontract is awarded to a United Kingdom contractor for performance substantially in the United Kingdom provided the contractor meets certain conditions set forth in 4 CFR 331.30(b)(8);
9. A firm fixed-price contract or subcontract is awarded without submission of any cost data: Provided, that the failure to submit such data is not attributable to a waiver of the requirement for certified cost or pricing data;
10. A contract or subcontract of \$500,000 or less is awarded, unless the business unit to whom it is awarded (A) is performing one or more covered contracts and (B) has not received notification of final acceptance of all items of work to be delivered under all such contracts. (For purposes of this exemption, an order issued by one segment to another segment shall be treated as a subcontract. Also see FPR 1-3.1203-2 (b)(1) of this section);
11. Subcontracts are awarded to:
 - a. educational institutions subject to cost principles in 41 CFR Subpart 1-15.3, (contracts awarded to federally funded research and development centers (FFRDC's) operated by such an institution are not exempt);

- b. State, local, and federally-recognized Indian tribal governments subject to 41 CFR Subpart 1-15.7;
 - c. hospitals; or
12. A subcontract is awarded where a waiver under FPR 1-3.1211 has been approved or a modification or withdrawal of a standard by the FPR is applicable.
 13. The CASB has otherwise approved a waiver or exemption (See 4 CFR 331.30(c)).

**UNIVERSITY OF CALIFORNIA
PURCHASE ORDER**

**FOR CONTRACT NO. W-7405-ENG-48 OR
CONTRACT DE-AC03-76SF00098 WITH
THE DEPARTMENT OF ENERGY**

ARTICLE - COST ACCOUNTING STANDARDS - NONDEFENSE CONTRACT

A - Unless the Administrator of General Services has prescribed rules or regulations exempting the Subcontractor or this Subcontract from standards, rules, and regulations promulgated by the Cost Accounting Standards Board, the Subcontractor, in connection with this Subcontract shall:

1. Follow consistently its cost accounting practices as required by regulations of the Cost Accounting Standards Board and administered under the Administration of Cost Accounting Standards Article. If any change in cost accounting practices is made for purposes of any contract or subcontract subject to Cost Accounting Board requirements, the change must be applied in a consistent manner to this Subcontract.

2. Comply with all cost accounting standards which the Subcontractor is required to comply with by reason of concurrent performance of any contract or subcontract subject to the Cost Accounting Standards Article (4 CFR Part 331) and administered under the Administration of Cost Accounting Standards Article. The Subcontractor also shall comply with any cost accounting standard which hereafter becomes applicable to such a contract or subcontract. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract. Compliance shall continue until the Subcontractor completes performance of work under this Subcontract.

3. a. Agree to any equitable adjustment (as provided in the Changes Article of this Subcontract, if any) if the Subcontract cost is affected by a change which, pursuant to 2. above, the Subcontractor is required to make to his cost accounting practices.

b. Negotiate with the cognizant Government Contracting Officer to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of this subparagraph 3.: provided, that no agreement may be made under this provision that will increase costs paid by the University or the United States.

c. When the parties agree to a change to a cost accounting practice, other than a change under subparagraph (3) a. above, negotiate an equitable adjustment as provided in the changes clause of this contract (if any).

4. Agree to an adjustment of the Subcontract price or cost allowance, as appropriate, if it or a sub-subcontractor fails to comply with the applicable Cost Accounting Standard or to follow any cost accounting practice consistently and such failure results in any increased costs paid by the University or the United States. Such adjustment shall provide for recovery of the increased costs to the University or the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Pub. L. 92-41, (50 U.S.C. App. 1215(b)(2)), or 7 percent per annum, whichever is less, from the time the payment by the University or the United States was made to the time the adjustment is effected.

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B - The Subcontractor shall permit any authorized representatives of the University, The U.S. Department of Energy, the Cost Accounting Standards Board, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this Article until the expiration of 3 years after final payment under this Subcontract or such lesser time specified in the Federal Procurement Regulations (FPR) part 1-20.

C - Unless a sub-subcontract or sub-subcontractor is exempt under rules or regulations prescribed by the Administrator of General Services, the Subcontractor (1) shall include the substance of this Article including this paragraph C - in all negotiated sub-subcontracts under this Subcontract with subcontractors that are currently performing a national defense contract or subcontract that contains the Article entitled Cost Accounting Standards and that are currently required to accept the Article in applicable national defense awards, and (2) shall include the substance of the Consistency of Cost Accounting Practices - Nondefense Contract Article set forth in 1-3.1204-2(b) of the FPR in negotiated sub-subcontracts under this subcontract with all other sub-subcontractors. The Subcontractor may elect to use the substance of the solicitation notice set forth in 1-3.1203-3(b) of the FPR in his determination of applicability cost accounting standards to sub-subcontracts.

D - The administration of this Article by the University shall be accomplished in conjunction with the administration of the Subcontractor's national defense contracts and subcontracts subject to rules and regulations of the Cost Accounting Standards Board, pursuant to the Administration of Cost Accounting Standards Article. For the purpose of the Administration of Cost Accounting Standards Article contained in this Subcontract, references to the Cost Accounting Standards Article shall be deemed to include this Cost Accounting Standards - Nondefense Contract Article and reference to the Disclosure and Consistency of Cost Accounting Practices Article shall be deemed to include the Consistency of Cost Accounting Practices - Nondefense Contract Article.

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ARTICLE - CONSISTENCY OF COST ACCOUNTING PRACTICES - NONDEFENSE CONTRACT

A - Unless the Administrator of General Services has prescribed rules or regulations exempting the Subcontractor or this Subcontract from standards, rules, and regulations promulgated by the Cost Accounting Standards Board, the Subcontractor, in connection with this Subcontract, shall:

1. Comply with the requirements of 4 CFR Parts 401, Consistency in Estimating, Accumulating and Reporting Costs, and 402, Consistency in Allocating Costs Incurred for the Same Purpose, in effect on the date of award of this Subcontract and administered under the Administration of Cost Accounting Standards Article. Compliance shall continue until the Subcontractor completes performance of work under this Subcontract.

2. Follow consistently its cost accounting practices as required by regulations of the Cost Accounting Standards Board and administered under the Administration of Cost Accounting Standards Article. If any change is made in established practices or in disclosed practices for purposes of any subcontract or sub-subcontract subject to those disclosure requirements, the change must be applied in a consistent manner to this Subcontract. A change to these practices may be proposed, however by either the University or the Subcontractor, and the Subcontractor agrees to negotiate with the cognizant Government Contracting Officer the terms and conditions under which a change may be made. After the terms and conditions under which the change is to be made have been agreed to, the change must be applied prospectively to this Subcontract. The subcontractor shall, when the parties agree to a change to a cost accounting practice and the cognizant Government Contracting Officer has made the finding required in 332.51 of the Cost Accounting Standards Board's regulations, negotiate an equitable adjustment as provided in the changes article of this subcontract. In the absence of the required finding, no agreement may be made under this subcontract article that will increase costs paid by the University or the United States.

3. Agree to an adjustment of the Subcontract price or cost allowance, as appropriate, if it or a sub-subcontractor fails to comply with the applicable Cost Accounting Standards or to follow any cost accounting practice and such failure results in any increased costs paid by the University or the United States. Such adjustment shall provide for recovery of the increased costs to the University or the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Public Law 92-41, (50 U.S.C. App. 1215(b)(2)), or 7 percent per annum, whichever is less from the time the payment by the University or the United States was made to the time the adjustment is effected.

B - The Subcontractor shall permit any authorized representatives of the University, The U.S. Department of Energy, the Cost Accounting Standards Board, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this Article until the expiration of 3 years after final payment under this Subcontract or such lesser time specified in the Federal Procurement Regulations (FPR) Part 1-20.

**UNIVERSITY OF CALIFORNIA
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C - Unless a sub-subcontract or sub-subcontractor is exempt under rules or regulations prescribed by the Administrator of General Services, the Subcontractor shall include the substance of this Article including this paragraph C. in all negotiated sub-subcontracts under this Subcontract except that it shall include the substance of the Cost Accounting Standards - Nondefense Contract Article set forth in Section 1-3.1204-2(a) of the FPR in negotiated sub-subcontracts under this Subcontract with sub-subcontractors that are currently performing a national defense contract or sub-subcontract that contains the Article entitled Cost Accounting Standards and that are currently required to accept that Article in applicable negotiated national defense contracts. The Subcontractor may elect to use the substance of the solicitation notice set forth in Section 1-3.1203-3(b) of the FPR in its determination of applicability of cost accounting standards to sub-subcontracts.

D - The administration of this Article by the University shall be accomplished in conjunction with the administration of the Subcontractor's national defense contracts and subcontracts, if any, subject to the rules and regulations of the Cost Accounting Standards Board, pursuant to the Administration of the Cost Accounting Standards Article. For the purpose of the Administration of Cost Accounting Standards Article contained in this Subcontract, references to the Disclosure and Consistency of Cost Accounting Practices Article shall be deemed to include this Consistency of Cost Accounting Practices - Nondefense Contract Article and references to the Cost Accounting Standards articles shall be deemed to include the Cost Accounting Standards - Nondefense Contract article.

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ARTICLE - ADMINISTRATION OF COST ACCOUNTING STANDARDS

(NOTE: This Article applies when the Article entitled COST ACCOUNTING STANDARDS - NONDEFENSE CONTRACT or CONSISTENCY OF COST ACCOUNTING PRACTICES - NONDEFENSE CONTRACT is made a part of this procurement document.)

For the purpose of administering Cost Accounting Standards requirements under this Subcontract, the Subcontractor shall:

A - Submit to the cognizant Government Contracting Officer a description of the accounting change and the general dollar magnitude of the change to reflect the sum of all increases and the sum of all decreases for all subcontracts containing the Cost Accounting Standards Article or the Disclosure and Consistency of Cost Accounting Practices Article:

1. For any change in cost accounting practices required to comply with a new cost accounting standard in accordance with paragraphs A. 3. and A. 4. a. of the Cost Accounting Standards Article within 60 days (or such other date as may be mutually agreed to) after award of a contract/subcontract requiring such change;

2. For any change to cost accounting practices proposed in accordance with paragraph A.4.b. or A.4.c. of the Cost Accounting Standards Article or with paragraph A.3. of the Disclosure and Consistency of Cost Accounting Practices Article not less than 60 days (or such other date as may be mutually agreed to) prior to the effective date of the proposed change; or

3. For any failure to comply with an applicable cost accounting standard or to follow a disclosed practice as contemplated by paragraph A.5. of the Cost Accounting Standards Article or with paragraph A.4. of the Disclosure and Consistency of Cost Accounting Practices Article within 60 days (or such other date as may be mutually agreed to) after the date of agreement of such noncompliance by the Subcontractor.

B - Submit a cost impact proposal in the form and manner specified by the cognizant Government Contracting Officer within 60 days (or such other date as may be mutually agreed to) after the date of determination of the adequacy and compliance of a change submitted pursuant to A.1., 2., or 3., above.

C - Agree to appropriate contract and subcontract/lower-tier subcontract amendments to reflect adjustments established in accordance with paragraphs A.4. and A.5. of the Cost Accounting Standards Article or with paragraphs A.3. and A.4. of the Disclosure and Consistency of Cost Accounting Practices article.

D - When the subcontract/lower-tier subcontract is subject to either the Cost Accounting Standards Article or the Disclosure and Consistency of Cost Accounting Practices Article so state in the body of the subcontract/lower-tier subcontract and/or in the letter of award. Self-deleting Articles shall not be used.

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E - Include the substance of this Article in all negotiated subcontracts/ lower-tier subcontracts containing either the Cost Accounting Standards Article or the Disclosure and Consistency of Cost Accounting Practices Article. In addition, within 30 days after award of such subcontract/lower-tier subcontract, submit the following information to the Contract Administration Office cognizant of the Subcontractor's facility for transmittal to the Contract Administration Office cognizant of the lower-tier subcontractors facility.

1. Lower-tier subcontractor's name and subcontract number;
2. Dollar amount and date of award;
3. Name of Contractor/Subcontractor making the award; and

4. A statement as to whether the lower-tier subcontractor has made or proposes to make any changes to accounting practices that affect prime contracts or subcontracts containing the Cost Accounting Standards Article or Disclosure and Consistency of Cost Accounting Practices Article because of the award of this lower-tier subcontract unless such changes have already been reported. If award of the lower-tier subcontract results in making a cost accounting standard(s) effective for the first time, this shall also be reported.

F - For negotiated lower-tier subcontracts containing the Cost Accounting Standards Article, require the lower-tier subcontractor to comply with all Standards in effect on the date of final agreement on price as shown on the lower-tier subcontractor's signed Certificate of Current Cost or Pricing Data or date of award, whichever is earlier.

G - In the event an adjustment is required to be made to any lower-tier subcontract hereunder, notify the University or cognizant Government Contracting Officer in writing of such adjustment and agree to an adjustment in the price or estimated cost and fee of this subcontract, as appropriate, based upon the adjustment established under the lower-tier subcontract. Such notice shall be given within 30 days after receipt of the proposed lower-tier subcontract adjustment, or such other date as may be mutually agreed to, and shall include a proposal for adjustment to such higher tier subcontract or prime contract, as appropriate.

H - When either the Cost Accounting Standards Article or the Disclosure and Consistency of Cost Accounting Practices Article and this Article are included in subcontracts/lower-tier subcontracts, the term "Contracting Officer" shall be suitably altered to identify the purchaser.

UNIVERSITY OF CALIFORNIA
Addendum to Request for Quotation
Issued Under Contract W-7405-ENG-48 or
Contract DE-AC03-76SF00098 With
The Department of Energy

COST ACCOUNTING STANDARDS CERTIFICATION - NONDEFENSE APPLICABILITY

Any negotiated subcontract in excess of \$100,000 resulting from this solicitation shall be subject to the requirements of the articles entitled Cost Accounting Standards - Nondefense Contract (FPR 1-3.1204-2(a) and Administration of Cost Accounting Standards FPR 1-3.1204-1(b)) if it is awarded to a subcontractor's business unit which (i) at the time of award is performing a national defense contract or subcontract of \$10 million or more subject to full (4 CFR 331) CAS coverage that was awarded during the subcontractor's current cost accounting period, (ii) received national defense CAS covered awards during the preceding cost accounting period of \$10 million or more, or (iii) received national defense CAS covered awards during the preceding cost accounting period of under \$10 million but such awards accounted for 10 percent or more of the business unit's sales for the preceding period, except subcontracts which are otherwise exempt (see FPR 1-3.1203-2(a) and (c)(4)). Otherwise, an award resulting from this solicitation shall be subject to the requirements of the article entitled Consistency of Cost Accounting Practices - Nondefense Contract (FPR 1-3.1204-2(b) and Administration of Cost Accounting Standards (FPR 1-3.1204-1(b)) if the award is (i) the first negotiated subcontract over \$500,000 in the event the award is to a subcontractor's business unit that is not performing under any CAS covered national defense or nondefense contract or subcontract, or (ii) a negotiated subcontract over \$100,000 in the event the award is to a subcontractor's business unit that is performing under any CAS covered national defense or nondefense contract or subcontract, except subcontracts which are otherwise exempt (see FPR 1-3.1203-2(a) and (c)(4)). This solicitation notice is not applicable to small business concerns.

CERTIFICATE OF CAS APPLICABILITY

The quoter hereby certifies that:

A - It is currently performing a negotiated national defense contract or subcontract that contains a Cost Accounting Standards Clause (4 CFR Part 331), and is currently required to accept that article in any new negotiated national defense contracts it receives that are subject to cost accounting standards.

B - It is currently performing a negotiated national defense or nondefense contract or subcontract that contains a cost accounting standards clause required by 4 CFR Part 331 or 332 or by FPR Subpart 1-3.12, but it is not required to accept the 4 CFR 331 article in new negotiated national defense contracts or subcontracts which it receives that are subject to cost accounting standards.

C - It is not performing any CAS covered national defense or nondefense contract or subcontract. The offeror further certifies that it will immediately notify the University in writing in the event that it is awarded any negotiated national defense or nondefense contract or subcontract containing any cost accounting standards article subsequent to the date of this certificate but prior to the date of the award of a subcontract resulting from this solicitation.

D - It is an educational institution receiving contract awards subject to FPR Subpart 1-15.3 (OMB Circular A-21).

E - It is a State, local, or federally recognized Indian tribal government receiving contract awards subject to FPR Subpart 1-15.7 (OMB Circular A-87).

F - It is a hospital.

ADDITIONAL CERTIFICATION - CAS APPLICABLE QUOTERS

G - The quoter, subject to cost accounting standards but not certifying under D, E, or F above, further certifies that practices used in estimating costs in pricing this quote are consistent with the practices disclosed in the Disclosure Statement(s) where they have been submitted pursuant to CASB regulations (4 CFR Part 351).

Signature: _____
Firm: _____
Title: _____
Date: _____

DATA REQUIRED - CAS COVERED QUOTERS

The Quoter certifying under A or B above but not under D, E, or F above, is required to furnish the name, address (including agency or department component), and telephone number of the cognizant contracting officer administering the quoter's CAS covered contracts. If A above is checked, the quoter will also identify those currently effective cost accounting standards, if any, which upon award of the next negotiated national defense contract or subcontract will become effective upon the quoter.

Name of Co: _____

Address: _____

Telephone Number: _____

Standards not yet applicable: _____

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