

## COST ACCOUNTING STANDARDS

### I. COST ACCOUNTING STANDARDS (CAS)

(a) Unless the contract is exempt under 48 CFR, Subpart 9903.201-1 and 9903.201-2, the provisions of 48 CFR, Part 9903 are incorporated herein by this reference and the Seller in connection with this contract shall -

(1) (CAS-covered Contracts Only) By submission of a disclosure statement, disclose in writing the Seller's cost accounting practices as required by 48 CFR, Subpart 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis for allocating indirect costs. The practices disclosed for this contract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Seller and which contain a Cost Accounting Standards (CAS) clause. If the Seller has notified Buyer that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside of Buyer and the Government; except Buyer shall not be liable for any inadvertent release that occurs notwithstanding Buyer's exercise of the same degree of care as it normally exercises to prevent unauthorized release of its confidential information. Alternatively, if Seller considers its Disclosure Statement privileged or confidential, Seller may submit such Disclosure Statement directly to Seller's cognizant Administrative Contracting Officer and notify Buyer of each submittal.

(2) Follow consistently Seller's cost accounting practices in accumulating and reporting contract performance cost data concerning this contract. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CAS requirements, the change must be applied prospectively to this contract and the Disclosure Statement must be amended accordingly. If the contract price or cost allowance of this contract is affected by such changes, adjustment shall be made in accordance with Subparagraph (a)(4) or (a)(5) of this Clause, as appropriate.

(3) Comply with all CAS, including any modifications and interpretations indicated thereto contained in 48 CFR, Part 9904 in effect on the date of award of this contract or, if Seller has submitted cost or pricing data, on the date of final agreement on price as shown on Seller's signed certificate of current cost or pricing data. Seller shall also comply with any CAS (or modifications to CAS) which hereafter become applicable to a contract or subcontract of the Seller. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

(4) (i) Agree to an equitable adjustment as provided in the Changes Clause of this contract if the contract cost is affected by a change which, pursuant to Subparagraph (a)(3) of this clause, Seller is required to make to Seller's established cost accounting practices.  
(ii) Negotiate with the Government 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 Subparagraph (a)(4) of this clause; provided that no agreement may be made under this provision that will increase costs paid by the United States.  
(iii) When the parties agree to a change to a cost accounting practice, other than under Subparagraph (a)(4)(i) of this Section I, negotiate an equitable adjustment as provided in the Changes Clause of this contract.

(5) Agree to an adjustment of the contract price or cost allowance, as appropriate, if Seller or a subcontractor fails to comply with an applicable Cost Accounting Standard, or to follow any cost accounting practice consistently and such failure results in any increased costs paid by United States. Such adjustment shall provide for recovery of the increased costs to the United States, together with interest thereon computed at the annual rate established under section 6621 of the Internal Revenue Code of 1986 (26 U.S.C. 6621) for such period, from the time the payment by the United States was made to the time the adjustment is effected. In no case shall the Government recover costs greater than the increased costs to the Government, in the aggregate, on the relevant contracts subject to the price adjustment, unless the Seller made a change in its cost accounting practices of which it was aware or should have been aware at the time of price negotiations and which it failed to disclose to the Government.

(b) Seller shall permit any authorized representatives of the Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.

(c) The Seller shall include in all negotiated subcontracts which Seller enters into, the substance of this clause, and shall require such inclusion in all other subcontracts, at any tier, including the obligation to comply with all CAS in effect on the subcontract's award date or if the subcontractor has submitted cost or pricing data, on the date of final agreement on price as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data. This requirement shall apply only to negotiated subcontracts in excess of \$500,000 except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR, Subpart 9903.201-1.

(d) Any determination of the Contracting Officer pursuant to the provisions of the Cost Accounting Standards Clause shall be binding upon Seller. If an appealable decision is made by the Contracting Officer relating to the Cost Accounting Standards and their applicability to this particular contract, such decision shall be conclusively binding upon Seller; provided, however, Seller is given the opportunity to appeal such decision as set forth in the "Disputes" Clause of this contract.

## II. ADMINISTRATION OF COST ACCOUNTING STANDARDS

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this contract, Seller shall take steps outlined in (a) through (f) below:

(a) Submit to the cognizant Contracting Officer a description of any cost accounting practice change, the total potential impact of the change on contracts containing a CAS clause, and a general dollar magnitude of the change which identifies the potential shift of costs between CAS-covered contracts by contract type (i.e., firm-fixed price, incentive, cost-plus-fixed-fee, etc.) and other contractor business activity. As related to CAS-covered contracts, the analysis should identify the potential impact of funds of the various Agencies/Departments (i.e., Department of Energy, National Aeronautics and Space Administration, Army, Navy, Air Force, other Dept. of Defense, other Government) as follows:

(1) For any change in cost accounting practices required to comply with a new CAS in accordance with Paragraphs (a)(3) and (a)(4)(i) of Section I of this form, within 60 days (or such other date as may be mutually agreed to) after award of a contract requiring this change.

(2) For any change in cost accounting practices proposed in accordance with Paragraph (a)(4)(ii) or (a)(4)(iii) of Section I of this form or Paragraph (a)(3) of the Disclosure and Consistency of Cost Accounting Practices clause set forth at FAR 52.230-3, not less than 60 days (or such other date as may be mutually agreed to) before the effective date of the proposed change.

(3) For any failure to comply with an applicable CAS or to follow a disclosure practice (as contemplated by Paragraph (a)(5) of Section I of this Form or Paragraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause set forth at FAR 52.230-3):

(i) Within 60 days (or such other date as may be mutually agreed to) after the date of agreement with the initial finding of noncompliance, or

(ii) In the event of Seller disagreement with the initial finding of noncompliance, within 60 days of the date the Seller is notified by the Contracting Officer of the determination of noncompliance.

(b) After an ACO, or cognizant Federal agency official, determination of materiality, submit a cost impact proposal in the form and manner specified by the 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 Paragraph II. (a) above. The cost impact proposal shall be in sufficient detail to permit evaluation, determination, and negotiation of the cost impact upon each separate CAS-covered contract and subcontract.

(1) Cost impact proposals submitted for changes in cost accounting practices required in accordance with subparagraph(a)(3) and subdivision (a)(4)(i) of Section I of this form shall identify the applicable standard or cost principle and all contracts and subcontracts containing the CAS Clause which have an award date before the effective date of that standard or cost principle.

(2) Cost impact proposals submitted for any change in cost accounting practices proposed in accordance with subdivisions (a)(4)(ii) or (iii) of Section I of this form or with subparagraph (a)(3) of the Disclosure and Consistency of Cost Accounting Practices Clause as set forth in FAR 52.230-3, shall identify all contracts and subcontracts containing this form or the provisions of the Disclosure and Consistency of Cost Accounting Practices Clause.

(3) Cost impact proposals submitted for failure to comply with an applicable CAS or to follow a disclosed practice as contemplated by subparagraph (a)(5) of the Section I of this form or by subparagraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices Clause, as set forth in FAR 52.230-3, shall identify the cost impact on each separate CAS covered contract from the date of failure to comply until the noncompliance is corrected.

(c) If the submissions required by paragraphs (a) and (b) of this Section II are not submitted within the specified time, or any extension granted by the Contracting Officer, an amount not to exceed 10 percent of each subsequent amount determined payable related to the Seller's CAS-covered contracts, up to the estimated general dollar magnitude of the cost impact, may be withheld until such time as the required submission has been provided in the form and manner specified by the Contracting Officer.

(d) Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with Paragraphs (a)(4) and (a)(5) as set forth in Section I of this form or (a)(4) of the Disclosure and Consistency of Cost Accounting Practices Clause as set forth in FAR 52.230-3.

(e) For all subcontracts subject to either Section I of this form or the Disclosure and Consistency of Cost Accounting Practices Clause as set forth in FAR 52.230-3,

(1) So state in the body of the subcontract, in the letter of award, or in both (self deleting clauses shall not be used); and

(2) Include the substance of this clause in all negotiated subcontracts.

(3) Within 30 days after award of the subcontract, submit the following information to the Seller's cognizant contract administration office for transmittal to the contract administrative office cognizant of the subcontractor's facility:

(i) Subcontractor's name and subcontract number.

(ii) Dollar amount and date of award.

(iii) Name of Seller making the award.

(f) Notify the Contracting Officer in writing of any adjustments required to subcontracts under this contract and agree to an adjustment, based on them, to this contractor's price or estimated cost and fee. This notice is due within 30 days after proposed subcontract adjustments are received and shall include a proposal for adjusting the higher tier subcontract or the prime contract appropriately.

(g) For subcontracts containing the CAS Clause as set forth in Section I of this form or FAR 52.230-2, require the subcontractor to comply with all standards in effect on the date of award or final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.

