

SPECIAL PROVISIONS - APPLICATION OF FEDERAL COST ACCOUNTING STANDARDS, SP-3 REV. 1 5/25/00

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1.0 PREAMBLE

These Special Provisions are requirements of any contract in which this Special Provision document is incorporated. These Special Provisions are applicable in their entirety unless specifically deleted or amended in the Contract and are in addition to the General Provisions and other Special Provisions that apply to this Contract. In the event of a conflict between these Special Provisions and the General Provisions, these Special Provisions shall take precedence.

2.0 FEDERAL ACQUISITION CLAUSES

FAR 52.230-2, COST ACCOUNTING STANDARDS (APR 1998)

- A. Unless the Contract is exempt under 48 CFR 9903.201-1 and 9903.201-2, the provisions of 48 CFR, Part 9903 are incorporated herein by reference and the Contractor, in connection with this Contract, shall:
 - 1. (CAS-covered contracts only) By submission of a Disclosure Statement, disclose in writing the Contractor's cost accounting practices as required by 48 CFR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used 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 Contractor and which contain a Cost Accounting Standards (CAS) clause. If the Contractor has notified the Contracting Officer 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 the Government.
 - 2. Follow consistently the Contractor'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 the Contractor has submitted cost or pricing data, on the date of final agreement on price as shown on the Contractor's signed certificate of current cost or pricing data. The Contractor shall also comply with any CAS (or modifications to CAS), which hereafter becomes applicable to a contract or subcontract of the Contractor. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

4. a. 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, the Contractor is required to make to the Contractor's established cost accounting practices.
 - b. Negotiate with Buyer 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.
 - c. When the parties agree to a change to a cost accounting practice, other than a change under subdivision A.4.a. of this Clause, 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 the Contractor 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 the 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 Buyer or the Government recover costs greater than the increased cost to Buyer or the Government, in the aggregate, on the relevant contracts subject to the price adjustment, unless the Contractor 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 Buyer or the Government.
- B. If the parties fail to agree whether the Contractor or a subcontractor has complied with an applicable CAS in 48 CFR Part 9904 or a CAS rule or regulation in 48 CFR Part 9903 and as to any cost adjustment demanded by the United States, such failure to agree will constitute a dispute under the Contract Disputes Act (41 U.S.C. 601).
 - C. The Contractor shall permit any authorized representatives of Buyer or the Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this Clause.
 - D. The Contractor shall include in all negotiated subcontracts which the Contractor enters into, the substance of this Clause, except paragraph B., and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all CAS in effect on the subcontractor'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. If the subcontract is awarded to a business unit which pursuant to 48 CFR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in subsection 30.201-4 of the Federal Acquisition Regulation shall be inserted. 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 9903.201-1.

FAR 52.230-3, DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES (APR 1998)

- A. The Contractor, in connection with this Contract, shall:
 1. Comply with the requirements of 48 CFR 9904.401, Consistency in Estimating, Accumulating, and Reporting Costs; 48 CFR 9904.402, Consistency in Allocating Costs Incurred for the Same Purpose; 48 CFR 9904.405, Accounting for Unallowable Costs; and 48 CFR 9904.406, Cost Accounting Standard--Cost Accounting Period, in effect on the date of award of this Contract as indicated in 48 CFR Part 9904.
 2. (CAS-covered contracts only) If it is a business unit of a company required to submit a Disclosure Statement, disclose in writing its cost accounting practices as required by 48 CFR 9903.202-1 through

9903.202-5. If the Contractor has notified Buyer or the Contracting Officer 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 or the Government.

3. Follow consistently the Contractor's cost accounting practices. A change to such practices may be proposed, however, by either Buyer, the Government or the Contractor, and the Contractor agrees to negotiate with Buyer or the 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 Contract, and the Disclosure Statement, if affected, must be amended accordingly.
 - a. The Contractor shall, when the parties agree to a change to a cost accounting practice and Buyer has made the finding required in 48 CFR 9903.201-6(b), that the change is desirable and not detrimental to the interests of the Government, negotiate an equitable adjustment as provided in the Changes Clause of this Contract. In the absence of the required finding, no agreement may be made under this Contract Clause that will increase costs paid by the United States.
 4. Agree to an adjustment of the Contract price or cost allowance, as appropriate, if the Contractor or a subcontractor fails to comply with the applicable CAS or to follow any cost accounting practice, and such failure results in any increased costs paid by the 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 of interest established under the Internal Revenue Code of 1986 (26 U.S.C. 6621), from the time the payment by the United States was made to the time the adjustment is effected.
- B. If the parties fail to agree whether the Contractor has complied with an applicable CAS, rule, or regulation as specified in 48 CFR 9903 and 9904 and as to any cost adjustment demanded by the United States, such failure to agree will constitute a dispute under the Contract Disputes Act (41 U.S.C. 601).
- C. The Contractor shall permit any authorized representatives of Buyer or the Government to examine and make copies of any documents, papers, and records relating to compliance with the requirements of this Clause.
- D. The Contractor shall include in all negotiated subcontracts, which the Contractor enters into, the substance of this Clause, except paragraph B., and shall require such inclusion in all other subcontracts of any tier, except that:
1. If the subcontract is awarded to a business unit, which pursuant to 48 CFR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in subsection 30.201-4 of the Federal Acquisition Regulation shall be inserted.
 2. This requirement shall apply only to negotiated subcontracts in excess of \$500,000.
 3. The requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR 9903.201-1.

FAR 52.230-5, COST ACCOUNTING STANDARDS EDUCATIONAL INSTITUTION (APRIL 1998)

- A. Unless the Contract is exempt under 48 CFR 9903.201-1 and 9903.201-2, the provisions of 48 CFR 9903 are incorporated herein by reference and the Contractor, in connection with this Contract, shall:
1. (CAS-covered contracts only). If a business unit of an educational institution required to submit a Disclosure Statement, disclose in writing the Contractor's cost accounting practices as required by 48 CFR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used for accumulating and allocating indirect costs. The practices disclosed for this Contract

should be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Contractor and which contain a Cost Accounting Standards (CAS) clause. If the Contractor has notified the Buyer or the Contracting Officer 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 the Buyer or Government.

2. Follow consistently the Contractor'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, if required, must be amended accordingly. If an accounting principle change mandated under Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, requires that a change in the Contractor's cost accounting practices be made after the date of this Contract award, the change must be applied prospectively to this Contract and the Disclosure Statement, if required, 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 9905 in effect on the date of award of this Contract or, if the Contractor has submitted cost or pricing data, on the date of final agreement on price as shown on the Contractor's signed certificate of current cost or pricing data. The Contractor shall also comply with any CAS (or modifications to CAS), which hereafter becomes applicable to a contract or subcontract of the Contractor. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.
4.
 - a. 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, the Contractor is required to make to the Contractor's established cost accounting practices
 - b. Negotiate with the Buyer or the 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 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.
 - c. When the parties agree to a change to a cost accounting practice, other than a change under subdivision A.4.a. or A.4.d. of this Clause, negotiate an equitable adjustment as provided in the Changes Clause of this Contract.
 - d. Agree to an equitable adjustment as provided in the Changes Clause of this Contract, if the Contract cost is materially affected by an OMB Circular A-21 accounting principle amendment which, on becoming effective after the date of Contract award, requires the Contractor to make a change to the Contractor's established cost accounting practices.
5. Agree to an adjustment of the Contract price or cost allowance, as appropriate, if the Contractor 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 the 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 cost to the Government, in the aggregate, on the relevant contracts subject to the price adjustment, unless the Contractor 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. If the parties fail to agree whether the Contractor or a subcontractor has complied with an applicable CAS or a CAS rule or regulation in 48 CFR 9903 and as to any cost adjustment demanded by the United States, such failure to agree will constitute a dispute under the Contract Disputes Act (41 U.S.C. 601).
- C. The Contractor shall permit any authorized representatives of the Buyer or the Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this Clause.
- D. The Contractor shall include in all negotiated subcontracts which the Contractor enters into, the substance of this Clause, except paragraph B., and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all applicable CAS in effect on the subcontractor'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, except that:
 - 1. If the subcontract is awarded to a business unit which pursuant to 48 CFR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in 48 CFR 9903.201-4 shall be inserted;
 - 2. This requirement shall apply only to negotiated subcontracts in excess of \$500,000; and
 - 3. The requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR 9903.201-1.

FAR 52.230-6, ADMINISTRATION OF COST ACCOUNTING STANDARDS (NOV 1999)

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this Contract, the Contractor shall take the steps outlined in paragraphs A. through G. of this Clause:

- A. Submit to Buyer or the 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 on funds of the various Agencies/Departments (i.e., Department of Energy, National Aeronautics and Space Administration, Army, Navy, Air Force, other Department of Defense, other Government) as follows:
 - 1. For any change in cost accounting practices required in accordance with subparagraph A.3. and subdivision A.4.a. of the clause at FAR 52.230-2, Cost Accounting Standards; or subparagraph A.3. and subdivisions A.4.a. or A.4.d. of the clause at FAR 52.230-5, Cost Accounting Standards—Educational Institution; 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 subdivision A.4.b.) or c. of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards—Educational Institution; or with subparagraph A.3. of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices, 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 disclosed practice (as contemplated by subparagraph A.5. at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards—Educational Institution; or by subparagraph A.4. at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices):
 - a. 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

- b. In the event of Contractor disagreement with the initial finding of noncompliance, within 60 days of the date the Contractor is notified by Buyer 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 Buyer or 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 A. of this Clause. 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.a. of the clause at FAR 52.230-2, Cost Accounting Standards; or subparagraph A.3. and subdivisions A.4.a. or A.4.d. of the clause at FAR 52.230-5, Cost Accounting Standards-Educational Institution; shall identify the applicable standard or cost principle and all contracts and subcontracts containing the clauses entitled Cost Accounting Standards or Cost Accounting Standards-Educational Institution, 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.b. or c. of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or with subparagraph A.3. of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices, shall identify all contracts and subcontracts containing the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution, and FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices.
 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 clause at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or by subparagraph A.4. of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices, 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 Clause are not submitted within the specified time, or any extension granted by Buyer, an amount not to exceed 10 percent of each subsequent amount determined payable related to the Contractor's CAS-covered prime 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 Buyer.
- D. Agree to appropriate Contract and subcontract amendments to reflect adjustments established in accordance with subparagraphs A.4. and A.5. of the CAS clause at FAR 52.230-2 and 52.230-5; or with subparagraphs A.3. or A.4. of the Disclosure and Consistency of Cost Accounting Practices Clause at FAR 52.230-3.
- E. For all subcontracts subject to the clauses at FAR 52.230-2, 52.230-3, or 52.230-5:
 1. So state in the body of the subcontract, in the letter of award, or in both (self-deleting clauses shall not be used);
 2. Include the substance of this Clause in all negotiated subcontracts; and within 30 days after award of the subcontract, submit the following to the Contractor's cognizant contract administration office for transmittal to the contract administrative office cognizant of the subcontractor's facility:
 - a. Subcontractor's name and subcontract number.
 - b. Dollar amount and date of award.

- c. Name of Contractor making the award.

- F. Notify Buyer in writing of any adjustments required to subcontracts under this Contract and agrees to an adjustment, based on them, to this Contract 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, require the subcontractor to comply with all Standards in effect on the date of award or of final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.