

# CHANGE REQUEST COVER SHEET

**Change Request Number:** 11-53

**Date Received:** 7/20/2011

**Title:** Cost Accounting Standards (CAS) Threshold Increase

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**Name:** Tim Eckert

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**Policy OR Guidance:** Policy

**Section/Text Location Affected:** 3.2.3.3.2

**Summary of Change:** Increase of threshold for procurements subject to Cost Accounting Standards (CAS) from \$650,000 to \$700,000. This change also reorganizes and retitles information in AMS policy section 3.2.3

**Reason for Change:** Consistency with interim rule in Federal Register raising threshold

**Development, Review, and/or Concurrence:** Acquisition Policy Division

**Target Audience:** Contracting Workforce and Program Offices

**Potential Links within FAST for the Change:** None

**Briefing Planned:** No

**ASAG Responsibilities:** None

**Potential Links within FAST for the Change:** None

**Links for New/Modified Forms (or) Documents (LINK 1)** [null](#)

**Links for New/Modified Forms (or) Documents (LINK 2)** [null](#)

**Links for New/Modified Forms (or) Documents (LINK 3)** [null](#)

## SECTIONS REMOVED:

Acquisition Management Policy:

**Section 3.2.3.3.1 : Requirement Decision** [\[Old Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.3.1.1 : Cost or Pricing Data** [\[Old Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.3.1.2 : Pre- and Post Award Audits** [\[Old Content\]](#)

Acquisition Management Policy:

**Section 3.3.2.2 : Policy** [\[Old Content\]](#)

Acquisition Management Policy:

**Section 3.3.2.1 : Applicability** [\[Old Content\]](#)

## SECTIONS ADDED:

Acquisition Management Policy:

**Section 3.2.3.4 : FAA Cost Principles** [\[New Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.5 : Cost Accounting Standards** [\[New Content\]](#)

## SECTIONS EDITED:

Acquisition Management Policy:

**Section 3.2.3.3.1 : Reserved** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.1 : Applicability** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.2 : Cost or Pricing Data** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.2.3.3 : Pre- and Post Award Audits** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.2.3 : Pricing Methodology, Principles and Standards** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.3 : Contract Funding and Payment** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

Acquisition Management Policy:

**Section 3.3.2 : Reserved** [\[Old Content\]](#)[\[New Content\]](#) [\[RedLine Content\]](#)

## SECTIONS REMOVED:

**Acquisition Management Policy:**

**Section 3.2.3.3.1 : Requirement Decision .**

**Acquisition Management Policy:**

**Section 3.2.3.3.1.1 : Cost or Pricing Data .**

Certified cost or pricing data must not be required from offerors unless the CO determines price competition is not adequate to support a determination of price reasonableness. When the CO determines that adequate price competition exists, certified cost or pricing data must not be requested. In situations with established catalog or market prices, prices set by law or regulation, and/or commercial items, price analysis is sufficient and cost or pricing data must not be requested. The CO must require submission of non-certified cost or pricing data from offerors as necessary to determine price reasonableness.

**Acquisition Management Policy:**

**Section 3.2.3.3.1.2 : Pre- and Post Award Audits .**

Pre-award audits and periodic incurred cost audits by a contractor's cognizant audit agency are the preferred mechanism to assist the contracting officer in ensuring the validity of indirect and direct cost billed under cost reimbursement contracts. The contracting officer is responsible for ensuring that the indirect and direct costs paid under a cost reimbursement contract are allowable. In situations where a cost-incurred audit is not obtained, the contracting officer will still ensure that only allowable costs are paid. The sponsoring organization will fund required pre- and post award audits and will include an estimate for the cost of the audits in the acquisition program baseline. The implementation strategy and planning document will also address the approach, responsible organizations, and activities for obtaining audits. ([See appropriate templates for additional guidance](#))

**Acquisition Management Policy:**

**Section 3.3.2.2 : Policy .**

FAA cost principles and procedures shall be used for the pricing of contracts, subcontracts, and modifications to contracts and subcontracts whenever cost analysis is performed and the determination, negotiation, or allowance of costs when required by a contract clause.

**Acquisition Management Policy:**

**Section 3.3.2.1 : Applicability .**

The FAA cost principles and procedures shall be used in price negotiated supply, service, experimental, developmental, and research contracts and contract modifications with commercial organizations whenever cost analysis is performed.

In addition, the CO shall incorporate the FAA cost principles and procedures in contracts with commercial organizations as the basis for:

- Determining reimbursable costs under **(i)** cost-reimbursement contracts and cost-reimbursement subcontracts under these contracts performed by commercial organizations and **(ii)** the cost-reimbursement portion of time-and-materials contracts except when material is priced on a basis other than at cost;
- Negotiating indirect cost rates, when FAA has division or corporate contract administration responsibilities, quick close-out procedures are used, or indirect rate caps are negotiated in the contract;
- Proposing, negotiating, or determining costs under terminated contracts;
- Price revision of fixed-price incentive contracts;
- Price re-determination of price re-determination contracts; and
- Pricing changes and other contract modifications.

When division or corporate contract administration responsibilities rest with another Government agency, the FAA may agree to cost principles of the administering agency for the determination or negotiation of indirect rates not covered by (i) or (ii) above.

**SECTIONS ADDED:**

**Acquisition Management Policy:**

**Section 3.2.3.4 : FAA Cost Principles**

The FAA contract cost principles, as described in AMS Procurement Guidance, must be used to price contracts, subcontracts, orders, and modifications whenever cost analysis is

performed. Cost principles must also be used for determining, negotiating, or allowing costs when required by a contract clause. The CO must incorporate FAA cost principles in contracts with commercial organizations as the basis for:

- Determining reimbursable costs under (a) cost-reimbursement contracts and cost-reimbursement subcontracts under these contracts performed by commercial organizations and (b) the cost-reimbursement portion of time-and-materials contracts except when material is priced on a basis other than at cost;
- Negotiating indirect cost rates, when FAA has division or corporate contract administration responsibilities, quick close-out procedures are used, or indirect rate caps are negotiated in the contract;
- Proposing, negotiating, or determining costs under terminated contracts;
- Price revision of fixed-price incentive contracts;
- Price re-determination of price re-determination contracts; and
- Pricing changes and other contract modifications.

When another Government agency has division or corporate contract administration responsibilities, FAA may agree to cost principles of the administering agency to determine or negotiate indirect rates not covered by (a) or (b) above.

#### **Acquisition Management Policy:**

##### **Section 3.2.3.5 : Cost Accounting Standards**

All contractors and subcontractors must use Cost Accounting Standards (CAS) according to 48 CFR Part 99 for estimating, accumulating, and reporting costs in connection with pricing, administering, and settling disputes concerning all negotiated prime and subcontract procurements over \$700,000, except for contracts or subcontracts exempted by these regulations. The following categories of contracts and subcontracts are exempt from all CAS requirements:

- Negotiated contracts and subcontracts of \$700,000 or less. For purposes of this paragraph, an order issued by one segment to another segment must be treated as a subcontract;
- Contracts and subcontracts with small businesses;
- Contracts and subcontracts with foreign governments or their agents or instrumentalities or (insofar as the requirements of CAS other than 9904.401 and 99.402 are concerned) any contract or subcontract awarded to a foreign concern;
- 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), time-and-materials and labor-hour contracts and subcontracts for acquisition of commercial items;
- Contracts or subcontracts of less than \$7.5 million, provided that, at the time of award, the business unit of the contractor or subcontractor is not currently performing any CAS-covered contracts or subcontracts valued at \$7.5 million or greater;
- Contracts and subcontracts to be executed and performed entirely outside the United States, its territories, and possessions; and
- Firm fixed-price contracts or subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data.

## SECTIONS EDITED:

### **Section 3.2.3.3.1 : Cost Accounting Standards**

**Old Content:** Acquisition Management Policy:

#### **Section 3.2.3.3.1 : Cost Accounting Standards**

Cost Accounting Standards (CAS) shall be mandatory for use by all contractors and subcontractors in accordance with 48 CFR Part 99 for estimating, accumulating, and reporting cost in connection with pricing and administration of, and settlement of disputes concerning, all negotiated prime and subcontract procurements in excess of \$650,000, other than contracts or subcontracts that have been exempted by the regulations.

The following categories of contracts and subcontracts are exempt from all CAS requirements:

1. Negotiated contracts and subcontracts not in excess of \$650,000. For purposes of this paragraph, an order issued by one segment to another segment shall be treated as a subcontract.
2. Contracts and subcontracts with small businesses.
3. Contracts and subcontracts with foreign governments or their agents or instrumentalities or (insofar as the requirements of CAS other than 9904.401 and 99.402 are concerned) any contract or subcontract awarded to a foreign concern.
4. Contracts and subcontracts in which the price is set by law or regulation.
5. Firm fixed-priced and fixed-price with economic price adjustment (provided that price adjustment is not based on actual costs incurred), time-and-materials and labor-hour contracts and subcontracts for acquisition of commercial items.
6. Contracts or subcontracts of less than \$7.5 million, provided that, at the time of award, the business unit of the contractor or subcontractor is not currently performing any CAS-covered contracts or subcontracts valued at \$7.5 million or greater.
7. Contracts and subcontracts to be executed and performed entirely outside the United States, its territories, and possessions.
8. Firm fixed-price contracts or subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data.

**New Content:** Acquisition Management Policy:

#### **Section 3.2.3.3.1 : Reserved**

Reserved

**Red Line Content:** Acquisition Management Policy:

#### **Section 3.2.3.3.1 : ~~Cost Accounting Standards~~ Reserved**

~~Cost Accounting Standards (CAS) shall be mandatory for use by all contractors and subcontractors in accordance with 48 CFR Part 99 for estimating, accumulating, and reporting cost in connection with pricing and administration of, and settlement of disputes concerning, all negotiated prime and subcontract procurements in excess of \$650,000, other than contracts or subcontracts that have been exempted by the regulations.~~ Reserved

~~The following categories of contracts and subcontracts are exempt from all CAS requirements: Negotiated contracts and subcontracts not in excess of \$650,000. For purposes of this paragraph, an order issued by one segment to another segment shall be treated as a subcontract. Contracts and subcontracts with small businesses. Contracts and subcontracts with foreign governments or their agents or instrumentalities or (insofar as the requirements of CAS other than 9904.401 and 99.402 are concerned) any contract or subcontract awarded to a foreign concern. 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), time and materials and labor hour contracts and subcontracts for acquisition of commercial items. Contracts or subcontracts of less than \$7.5 million, provided that, at the time of award, the business unit of the contractor or subcontractor is not currently performing any CAS covered contracts or subcontracts valued at \$7.5 million or greater. Contracts and subcontracts to be executed and performed entirely outside the United States, its territories, and possessions. Firm fixed price contracts or subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data.~~

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#### **Section 3.2.3.1 : Applicability**

**Old Content:** Acquisition Management Policy:

#### **Section 3.2.3.1 : Applicability**

This section describes policies for evaluating proposals for initial contract prices, subcontract prices, and contract modifications, except for real property and utilities.

**New Content:** Acquisition Management Policy:

#### **Section 3.2.3.1 : Applicability**

This section applies to pre- and post award pricing and analysis for contracts, subcontracts, orders, and modifications, excluding real property and utilities.

**Red Line Content:** Acquisition Management Policy:

#### **Section 3.2.3.1 : Applicability**

This section ~~describes policies~~ applies to for pre- evaluating proposals and post for award pricing and ~~initial contract prices~~ analysis for contracts, ~~subcontract~~ subcontracts, ~~prices~~ orders, and ~~contract~~ modifications, ~~except for~~ excluding real property and utilities.

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#### **Section 3.2.3.2 : Policy**

**Old Content:** Acquisition Management Policy:

#### **Section 3.2.3.2 : Policy**

Defense Contract Audit Agency audits must be requested on all cost reimbursement contracts exceeding \$100 million. In addition, an audit will be requested on at least 15% of all cost reimbursement contracts not anticipated to exceed \$100 million. For other contracts, FAA

policy is to use any method of cost or price analysis to determine fair and reasonable prices for the procurement of products and services. Price analysis is the preferred method for evaluating competitive proposals.

**New Content:** Acquisition Management Policy:

**Section 3.2.3.2 : Cost or Pricing Data**

Price analysis is the preferred method for evaluating competitive proposals. Certified cost or pricing data must not be required from offerors unless the CO determines price competition is not adequate to support a determination of price reasonableness. When the CO determines that adequate price competition exists, certified cost or pricing data must not be requested. In situations with established catalog or market prices, prices set by law or regulation, or commercial items, price analysis is sufficient and the CO must not request certified cost or pricing data. The CO must require offerors to submit non-certified cost or pricing data when necessary to determine price reasonableness.

**Red Line Content:** Acquisition Management Policy:

**Section 3.2.3.2 : Policy Cost or Pricing Data**

~~Defense Contract Audit Agency audits must be requested evaluating competitive on proposals. all Certified cost reimbursement or pricing contracts data exceeding must \$100 not million be In required addition from an audit will be offerors unless the CO requested determines price competition on is not adequate to at least support a 15% determination of all price reasonableness. When the CO determines that adequate price competition exists, certified cost reimbursement or pricing contracts data not must anticipated to not be exceed requested. \$100 million In For other situations with contracts established FAA policy is catalog or market to prices, use any method of prices set by law cost or regulation, or commercial items, price analysis to determine is fair sufficient and reasonable the prices for the procurement of products CO must not request certified cost and or pricing services data. Price analysis is the preferred method for evaluating The CO must require offerors to submit competitive non-certified proposals cost or pricing data when necessary to determine price reasonableness.~~

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**Section 3.2.3.3 : Guidance and Principles**

**Old Content:** Acquisition Management Policy:

**Section 3.2.3.3 : Guidance and Principles** **New Content:** Acquisition Management Policy:

**Section 3.2.3.3 : Pre- and Post Award Audits**

The CO must request audits on all cost reimbursement contracts exceeding \$100 million. In addition, FAA will request audits on at least 15% of all cost reimbursement contracts not anticipated to exceed \$100 million. For other contract types, the CO may use any method of cost or price analysis to determine fair and reasonable prices.

Pre-award audits and post-award incurred cost audits are the preferred mechanism to assist the CO ensure valid indirect and direct costs are billed under cost reimbursement contracts. The CO is responsible for ensuring indirect and direct costs under a cost reimbursement contract are allowable. In situations where an incurred cost audit is not obtained, the CO will still ensure that only allowable costs are paid.

The sponsoring service organization will fund required pre- and post- award audits and must include an estimate of the cost of audits in the Acquisition Program Baseline; the Implementation Strategy and Planning Document will describe the approach, responsible organizations, and activities for obtaining audits.

**Red Line Content:** Acquisition Management Policy:

**Section 3.2.3.3 :** ~~Guidance~~Pre- and ~~Principles~~Post Award Audits

*The CO must request audits on all cost reimbursement contracts exceeding \$100 million. In addition, FAA will request audits on at least 15% of all cost reimbursement contracts not anticipated to exceed \$100 million. For other contract types, the CO may use any method of cost or price analysis to determine fair and reasonable prices.*

*Pre-award audits and post-award incurred cost audits are the preferred mechanism to assist the CO ensure valid indirect and direct costs are billed under cost reimbursement contracts. The CO is responsible for ensuring indirect and direct costs under a cost reimbursement contract are allowable. In situations where an incurred cost audit is not obtained, the CO will still ensure that only allowable costs are paid.*

*The sponsoring service organization will fund required pre- and post- award audits and must include an estimate of the cost of audits in the Acquisition Program Baseline; the Implementation Strategy and Planning Document will describe the approach, responsible organizations, and activities for obtaining audits.*

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### **Section 3.2.3 : Cost and Price Methodology**

**Old Content:** Acquisition Management Policy:

**Section 3.2.3 : Cost and Price Methodology New Content:** Acquisition Management Policy:

**Section 3.2.3 : Pricing Methodology, Principles and Standards Red Line Content:**

Acquisition Management Policy:

**Section 3.2.3 :** ~~Cost~~Pricing ~~and Price~~Methodology, Principles and Standards

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### **Section 3.3 : Contract Funding, Payment and Cost Principles**

**Old Content:** Acquisition Management Policy:

**Section 3.3 : Contract Funding, Payment and Cost Principles New Content:** Acquisition Management Policy:

**Section 3.3 : Contract Funding and Payment Red Line Content:** Acquisition Management



Policy:

Section 3.3 : Contract Funding, ~~Payment~~ and ~~Cost Principles~~ Payment

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**Section 3.3.2 : Contract Cost Principles**

Old Content: Acquisition Management Policy:

Section 3.3.2 : Contract Cost Principles New Content: Acquisition Management Policy:

Section 3.3.2 : Reserved Red Line Content: Acquisition Management Policy:

Section 3.3.2 : ~~Contract Cost Principles~~ Reserved

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