



DEFENSE CONTRACT AUDIT AGENCY  
DEPARTMENT OF DEFENSE  
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IN REPLY REFER TO

PAC 730.3.B.01/2010-04

February 17, 2010  
10-PAC-004(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA  
HEADS OF PRINCIPAL STAFF ELEMENTS, HQ, DCAA

SUBJECT: Audit Guidance on Revision to DFARS Parts 225.73 and 231.2 Related to Allowability of Lease Costs Associated with Government Equipment Used for Display or Demonstration

The Defense Federal Acquisition Regulation Supplement (DFARS) 231.205-1, Public relations and advertising costs, has been added to disallow the monies paid to the Government for the leasing of Government equipment, including lease payments and reimbursement for support services. This cost unallowability rule does not apply to foreign military sales, as provided for at DFARS 225.7303-2. The new rule is effective for DoD contracts awarded on or after December 24, 2009.

The new rule added DFARS Section 231.205-1 to read as follows:

***231.205-1 Public relations and advertising costs.***

*(e) See 225.7303-2(e) for allowability provisions affecting foreign military sales contracts.*

*(f) Unallowable public relations and advertising costs also include monies paid to the Government associated with the leasing of Government equipment, including lease payments and reimbursement for support services, except for foreign military sales contracts as provided for at 225.7303-2.*

The new rule amended DFARS Section 225.7303-2 by modifying paragraph (b) and adding paragraph (e) to read as follows:

*(b) Costs not allowable under FAR Part 31 are not allowable in pricing FMS contracts, except as noted in paragraphs (c) and (e) of this subsection.*

*(e) The limitations in 231.205-1 on allowability of costs associated with leasing Government equipment do not apply to FMS contracts.*

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Field audit offices should ensure that their contractors with DoD contracts are segregating, and excluding from proposals and billings, the costs associated with the lease of Government equipment used in public relations and advertising effort such as trade shows, air shows and other special events, along with all other unallowable costs, in accordance with CAS 405 and FAR 31.201-6, Accounting for unallowable costs.

Field audit office personnel should direct questions regarding this memorandum to their regional offices. Regional offices should direct questions to Accounting and Cost Principles Division, at (703) 767-3250, or via e-mail at [DCAA-PAC@dcaa.mil](mailto:DCAA-PAC@dcaa.mil).

/Signed/

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