



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAC 730.3.B.01/2003-05

April 28, 2003
03-PAC-031(R)

MEMORANDUM FOR REGIONAL DIRECTOR, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on Cost Accounting Standards (CAS) Waivers Under Exceptional Circumstances

On January 31, 2003, the Director, Defense Procurement and Acquisition Policy (DPAP), issued the attached guidance regarding specific requirements that must be met when the head of an executive agency exercises its authority of granting a CAS waiver under "exceptional circumstances," as provided in FAR 30.201-5, Waiver. The FY 2003 Defense Authorization Act provided three specific criteria that must be met for "exceptional circumstances." DPAP guidance provides that all of the following three criteria must be met when DoD exercises its CAS waiver authority under "exceptional circumstances."

1. The property or services cannot reasonably be obtained under the contract, subcontract, or modification, as the case may be, without the grant of the waiver;
2. The price can be determined to be fair and reasonable without the application of the Cost Accounting Standards; and
3. There are demonstrated benefits to granting the waiver.

The attached DPAP guidance will be incorporated in the applicable acquisition regulation.

If FAO personnel have any questions on the subject, they should contact regional personnel. If regional personnel have any questions, they should contact Lydia Funk, Program Manager, Accounting and Cost Principles Division at (703) 767-3250.

/s/ Terry M. Schneider
/for/ Robert DiMucci
Assistant Director
Policy and Plans

Enclosure:
a/s

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31 JAN 2003

DPAP/P

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
ACTING DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
EXECUTIVE DIRECTOR, ACQUISITION, TECHNOLOGY,
AND SUPPLY DIRECTORATE (DLA)

SUBJECT: Waivers of Cost Accounting Standards

FAR 30.201-5, Waiver, provides for the head of an executive agency to waive the applicability of the Cost Accounting Standards (CAS) for a particular contract or subcontract under exceptional circumstances. This authority was provided to executive agencies in the National Defense Authorization Act for Fiscal Year 2000. Defense Authorization Act for fiscal year 2003 provides some significant limitations on the use of this authority.

In accordance with the provisions of section 817 of the National Defense Authorization Act for Fiscal Year 2003, *this exceptional circumstances authority applies only when a determination is made that:*

1. The property or services cannot reasonably be obtained under the contract, subcontract, or modification, as the case may be, without the granting the waiver;
2. The price can be determined to be fair and reasonable without the application of the cost accounting standards; and
3. There are demonstrated benefits to granting the waiver.

Thus, effective immediately, executive agencies may authorize CAS waivers only when a determination is made that the three circumstances delineated above exist. The



Defense Acquisition Regulatory Council is currently drafting revised DFARS language to reflect these new requirements.

It is important to note that DoD is not precluded from requesting waivers of CAS from the CAS Board for circumstances that do not meet the aforementioned three requirements. Such waivers, if needed, should be processed in accordance with the requirements at 48 CFR 9903.201-5(e).

If you have any questions regarding this memorandum, please contact Mr. David J. Capitano, Senior Procurement Analyst, at 703-602-4245.



Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy