



DEFENSE CONTRACT AUDIT AGENCY
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

PAS

November 14, 2023

DCAA MANUAL
NO. 7641.90

INFORMATION FOR CONTRACTORS

1. PURPOSE. This manual supersedes DCAA Manual 7641.90, *Information for Contractors*, dated June 2012. The manual is designed to assist contractors in understanding applicable requirements and to help ease the contract audit process. It describes what contractors should expect when doing business with the U.S. Government and interacting with DCAA auditors. The examples in this manual are presented to illustrate some of the more frequent requirements that contractors encounter when working with DCAA auditors, and in responding to the Government procurement and administrative process. These examples are intended solely to provide better insight into the procurement process and should not be construed as uniform guides. Nor should this manual be considered a substitute for the applicable rules and regulations, as not all requirements are contained herein. Each contractor must tailor its responses to its individual situation.
2. APPLICABILITY. This manual applies to all contractors interacting with DCAA auditors, as a result of doing business with the U.S. Government.
3. PROCEDURES. See Enclosures 1 through 7.
4. RELEASABILITY. Cleared for public release. This manual is available on DCAA's website at www.dcaa.mil.
5. EFFECTIVE DATE. This manual is effective immediately.

/s/

Terri L. Dilly
Director, Defense Contract Audit Agency

Enclosures

1. Introduction to the Defense Contract Audit Agency (DCAA)
 2. Contract Lifecycle
 3. Preparing for Contract Award
 4. Price Proposals
 5. Cost Accounting Standards
 6. Contract Financing and Vouchers
 7. Incurred Cost Proposals
- Glossary

TABLE OF CONTENTS

ENCLOSURE 1: INTRODUCTION TO DCAA.....	6
DCAA HISTORY.....	6
DCAA ORGANIZATION.....	6
DCAA RESPONSIBILITIES AND DUTIES.....	7
DCAA AUDIT INTERESTS, VISION, MISSION AND VALUES.....	8
DCAA MAJOR AREAS OF EMPHASIS.....	8
OTHER INFORMATION.....	9
ENCLOSURE 2: CONTRACT LIFECYCLE.....	12
CONTRACT LIFECYCLE.....	12
RECORD RETENTION.....	14
ENCLOSURE 3: PREPARING FOR CONTRACT AWARD.....	12
ACCOUNTING SYSTEM.....	12
POSTAWARD ACCOUNTING SYSTEM.....	12
LABOR CHARGING SYSTEM.....	15
LABOR FLOOR CHECKS OR INTERVIEWS.....	20
ENCLOSURE 4: PRICE PROPOSALS.....	20
REQUIREMENTS FOR SUBMISSION.....	20
DCAA FORWARD PRICING SERVICES.....	21
DCAA AUDIT.....	21
EXAMPLES OF DATA THAT DCAA MAY REQUEST.....	22
MODEL PROPOSAL - ADVANCED TANK TECHNOLOGIES (ATT).....	24
NEGOTIATIONS.....	33
TRUTH IN NEGOTIATIONS.....	34
ENCLOSURE 5: COST ACCOUNTING STANDARDS.....	35
COST ACCOUNTING STANDARDS (Public Law 100-679).....	35
COST ACCOUNTING STANDARDS (CAS) APPLICABILITY.....	35
CAS EXEMPTIONS.....	37
FLOWDOWN OF CAS CLAUSES (FAR 52.230-2 3 AND 4).....	38
SUBMISSION OF DISCLOSURE STATEMENT - CASB DS-1 (48 CFR 9903.202).....	38
ADJUSTMENT OF CONTRACTS.....	38
DCAA AUDIT RESPONSIBILITY.....	39
ENCLOSURE 6: CONTRACT FINANCING AND VOUCHERS.....	40
INTRODUCTION.....	40
COST TYPE PUBLIC VOUCHER PREPARATION.....	41
PROVISIONAL BILLING RATES.....	41
ELECTRONIC SUBMISSION OF INTERIM VOUCHERS.....	42
GUIDANCE FOR PREPARING INTERIM PUBLIC VOUCHERS (SF 1034).....	42
GUIDANCE FOR PREPARING SF 1035.....	46
COMPLETION VOUCHER.....	53
SUBMISSION REQUIREMENTS.....	58
REQUIREMENTS FOR SUPPORTING FEE CLAIMS.....	60

RESUBMISSION OF COSTS	60
MAINTENANCE OF REIMBURSEMENT CLAIM DATA	60
WITHHOLDING AND RELEASE OF CONTRACT RESERVES	60
PROGRESS PAYMENTS BASED ON COSTS - GENERAL (FAR 32.5)	60
PROCESSING PROGRESS PAYMENTS	60
TREATMENT OF CONTRACT OVERRUNS ON PROGRESS PAYMENTS	61
PERFORMANCE-BASED PAYMENTS – GENERAL	64
PROCESSING PERFORMANCE-BASED PAYMENTS	65
 ENCLOSURE 7: INCURRED COST PROPOSALS	 66
INTRODUCTION	66
CONTRACTOR PROPOSAL	66
PENALTIES FOR MISCHARGING	67
AUDIT EVALUATION	68
CONTRACT COSTS	69
DIRECT COSTS	69
RESPONSIBILITY OF PRIME CONTRACTORS OVER SUBCONTRACTS	70
INDIRECT COSTS	70
OVERHEAD COSTS	71
G&A EXPENSES	71
FACILITIES CAPITAL COST OF MONEY (FAR 31.205-10)	72
MODEL INCURRED COST PROPOSAL	72
POST FINAL INDIRECT RATE SETTLEMENT ACTIONS	74
 GLOSSARY	 99
ABBREVIATIONS AND ACRONYMS	99
 TABLES	 9
1. Regional Telephone Numbers	9
2. Information Required on Interim Vouchers	44
3. Information Required on SF 1035 for Cost Plus Fixed Fee Contracts	47
3. Information Required on SF 1035 for Cost Plus Fixed Fee Contracts, continued	47
4. Information Required on SF 1035 for Cost Sharing No-Fee Contracts	51
4. Information Required on SF 1035 for Cost Sharing No-Fee Contracts, continued	51
5. Information Required on Final Vouchers (SF1034)	54
6. Information Required on Final Vouchers (SF1035)	56
6. Information Required on Final Vouchers (SF1035), continued	56
 FIGURES	 8
1. DCAA Services	8
2. Regional Boundaries	10
3. Defense Contract Audit Agency Organizational Chart	11
4. Preaward Survey of Prospective Contractor Accounting System (SF 1408)	22
5. Model Proposal	30
6. CAS Coverage and Disclosure Statement Determination	44
7. Sample of SF 1034 Interim Voucher	54
8. Sample of SF1035 Interim Voucher	61

9. Sample of SF 1035 Interim Voucher.....	61
10. Sample of SF 1035 Completion Voucher.....	65
11. Sample Standard Form 1443.....	69
12. Loss Ratio Factor Analysis.....	71
13. Model Incurred Cost Proposal.....	82
14. Supplemental Incurred Cost Proposal Information.....	83
15. ICE Incurred Cost Proposal Example.....	84

ENCLOSURE 1INTRODUCTION TO THE DEFENSE CONTRACT AUDIT AGENCY (DCAA)

1. DCAA History. In December 1964, then Secretary of Defense Robert S. McNamara decided that Department of Defense (DoD) contract audits would be more effective and efficient if performed by a single organization. Accordingly, the Defense Contract Audit Agency (DCAA) was established as a separate Agency of the Department of Defense, effective July 1965.

2. DCAA Organization.

a. Overview.

(1) DCAA operates under the direction, authority, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. The DCAA Director is a civilian selected by the Secretary of Defense. Organizationally, DCAA includes a Headquarters, Field Detachment, Regional Offices and Corporate Audit Directorates (CADs). Resident offices are established at large defense contractors whereas branches are established geographically. DCAA may also establish suboffices to support either a resident or branch office.

(2) The DCAA Contract Audit Manual (DCAAM 7640.1), referred to as the "CAM," prescribes auditing policies and procedures for personnel engaged in the performance of the DCAA mission. The electronic version of the CAM and other resources for businesses of all sizes interested in federal contracting are located at www.dcaa.mil. Other acquisition reference materials can be found within the Defense Acquisition University's acquisition guidebooks and references at <https://aaf.dau.edu/guidebooks/>.

b. Structure, Size, Organization and Management.

(1) DCAA's organizational structure consists of four Corporate Audit Directorates (CADs) organized by major contractors, three geographical regions primarily focused on other large, mid-sized, and small contractors, and a Field Detachment focused on classified work. DCAA has about 230 offices located throughout the United States, Europe, and the Middle East. Headquarters is located at Fort Belvoir, Virginia. Principal elements are the Director, Deputy Director, General Counsel, Office of Inspector General, and the Assistant Directors for Operations, Policy and Quality, and Human Capital and Resource Management. Regional Offices/Field Detachment are located in Smyrna, Georgia; Irving, Texas; Lone Tree, Colorado; and Reston, Virginia (refer to [Figure 2](#) for Regional Boundaries and [Figure 3](#) for an Organizational Chart).

(2) Each region is staffed with approximately 650 employees and is responsible for 2000 to 3000 contractors. The Field Detachment has nearly 500 employees to serve 700 contractors. CADs are located in Lowell, Massachusetts (Raytheon, General Dynamics); McLean, Virginia (Northrop Grumman); St. Louis, Missouri (Boeing); and Fort Worth, Texas (Lockheed Martin, BAE).

(3) Each CAD directs and administers the DCAA mission at its major defense contractors. Branch Offices are strategically situated within the regions and are responsible for the majority of contract audit services within their assigned geographical areas. Branch offices often maintain smaller sub offices to ensure adequate audit coverage. Resident offices are established at specific contractor locations where the audit workload justifies the assignment of a permanent staff. DCAA liaison activities are conducted at DoD acquisition or contract administration offices to directly communicate and coordinate audit processes.

(4) Whether the Field Audit Office (FAO) is a resident or branch, with or without suboffices, the office is led by a manager and the office is organized into teams. Each team is led by a supervisory auditor who supervises a number of auditors.

(5) A supervisor's responsibilities may be assigned on the basis of: (1) contractor, (2) location, or (3) audit function (i.e., one supervisor may be responsible for evaluating all proposals for several contractors). This means that a contractor may see one or several auditors, depending upon the timing and/or type of audit(s) being conducted. A contractor will most likely have direct contact primarily with the audit team. Should questions arise during the audit, the contractor may elevate its concerns to the FAO manager/Resident Auditor, Regional Audit Manager/Corporate Audit Manager, or Deputy Regional Director/Corporate Audit Director.

3. DCAA Responsibilities and Duties.

a. While serving the public interest as its primary customer, DCAA performs all necessary contract audits for the Department of Defense and provides accounting and financial advisory services regarding contracts, subcontracts, and other transaction agreements to all DoD Components responsible for procurement and contract administration. DCAA provides these services in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure taxpayer dollars are spent on fair and reasonable contract prices. DCAA also provides contract audit services to other Federal agencies as appropriate.

b. DCAA furnishes professional accounting and financial advice to Government procurement personnel at all points of the procurement process including: (1) pre-negotiation, (2) negotiation, (3) administration, and (4) settlement (contract closing).

c. By Reference, DoD Instruction 7600.02, Audit Policies, incorporates generally accepted government auditing standards (GAGAS). These standards, commonly referred to as the "Yellow Book," are developed and published by the Comptroller General and incorporate certain standards from the American Institute of Certified Public Accountants. For the attestation engagements DCAA performs, GAGAS incorporates the general standards on criteria, fieldwork and reporting standards, and the related Statement on Standards for Attestation Engagements. These standards and guidance are applicable to DCAA for all audits of funds received by contractors, nonprofit organizations, and other external organizations.

d. The Federal Acquisition Regulation (FAR) is the primary regulation for use by most Federal agencies in their acquisition of supplies and services with appropriated funds. The FAR,

together with agency supplemental regulations (e.g., the Department of Defense Federal Acquisition Regulation Supplement (DFARS), which applies to all Defense components), Cost Accounting Standards (CAS), as well as specific contractual provisions, are the primary guidelines for contractors' conduct in administering contracts. The FAR, DFARS and other agency supplements, and CAS can be found in Title 48 of the Code of Federal Regulations (CFR). The FAR and supplemental regulations can be found at www.acquisition.gov.

4. Audit Interests, Vision, Mission, and Values.

a. DCAA's primary function is to conduct contract audits and related financial services for the Department of Defense and other federal entities responsible for acquisition and contract administration. DCAA is concerned with identifying and evaluating all activities that either contribute to, or have an impact on, proposed or incurred costs of Government contracts such as:

(1) Actual or estimated cost records/documentation to determine whether costs are allowable, allocable, and reasonable with applicable contract terms, laws, and regulations.

(2) Financial policies, procedures, and internal controls to assess compliances with applicable laws and regulatory requirements.

c. DCAA Vision: Every audit or service we deliver is on time, on point, and highly valued.

d. DCAA Mission: Together with our acquisition partners, we increase warfighter capabilities by delivering high quality audits and financial services to achieve fair and reasonable prices that protect taxpayer dollars.

e. DCAA Values: DCAA is committed to the core values of teamwork, excellence, accountability, mutual respect, integrity, and trust.

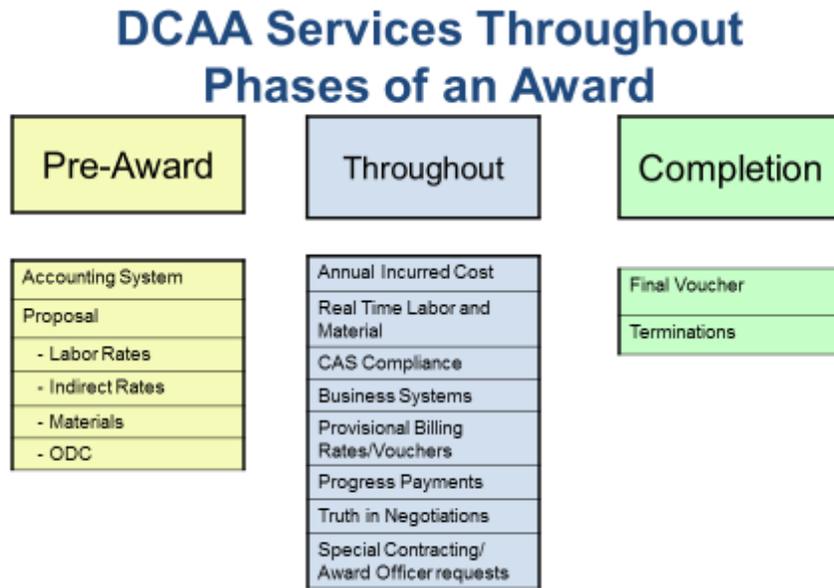
5. DCAA Major Areas of Emphasis.

a. DCAA's major areas of emphasis include: (1) business systems, (2) management policies and procedures, (3) accuracy and reasonableness of contractors' forward pricing and incurred cost representations, (4) adequacy and reliability of records and accounting systems, and (5) contractor compliance with contractual provisions having accounting or financial significance such as the Cost Principles (FAR Part 31), CAS Clause (FAR 52.230-2), and applicable Truthful Cost or Pricing Data Act (commonly referred to by its former name, the Truth in Negotiations Act (TINA)) provisions of FAR 52.215-10, -11, -12, and -13.

b. DCAA's audits are generally limited to pricing actions and contracts that fall under FAR Part 15, Contracting by Negotiation. The extent of DCAA's involvement is determined by the type of contract that will be awarded. Generally, most DCAA efforts on firm-fixed price type contracts take place during the proposal stage rather than in the incurred cost stage. The reverse is true for cost reimbursable contracts. The allowable costs properly included in the final pricing of flexibly priced contracts are generally determined after they are incurred and audited. For additional details on the types of Government contracts reference FAR Part 16.

c. Some of the DCAA services provided throughout the phases of an award are illustrated in [Figure 1](#) below:

Figure 1. DCAA Services



6. Other Information.

a. Contractors are encouraged to submit information electronically. The Department of Defense has long mandated that defense agencies move towards a paperless environment (Management Reform Memorandum #2, May 21, 1997). DCAA auditors are required to obtain and develop their audit documentation electronically in order to capture the efficiencies that information technology offers. This necessitates obtaining source information in an electronic format. Submitting information electronically will aid in reducing disruption to your staff during the audit, allow you to transmit information instantaneously, increase the accuracy of submissions and updates, automatically record events for later retrieval, and increase the overall productivity of all involved in the procurement cycle.

b. All inquiries for additional information should be directed to the local DCAA FAO. The address and telephone number of each FAO can be found using the Audit Office Locator page at <http://www.dcaa.mil>. The contractor’s business location where the accounting records are maintained should be used for determining the appropriate DCAA office. If assistance is needed in determining the cognizant FAO, you may use the DCAA website’s Contact page to request assistance.

c. DCAA offers many resources to small businesses free of charge and available to both prime contractors and subcontractors. Small businesses can directly contact DCAA’s small business focal point using the DCAA Contact page (www.dcaa.mil/Contact/) or contact by phone

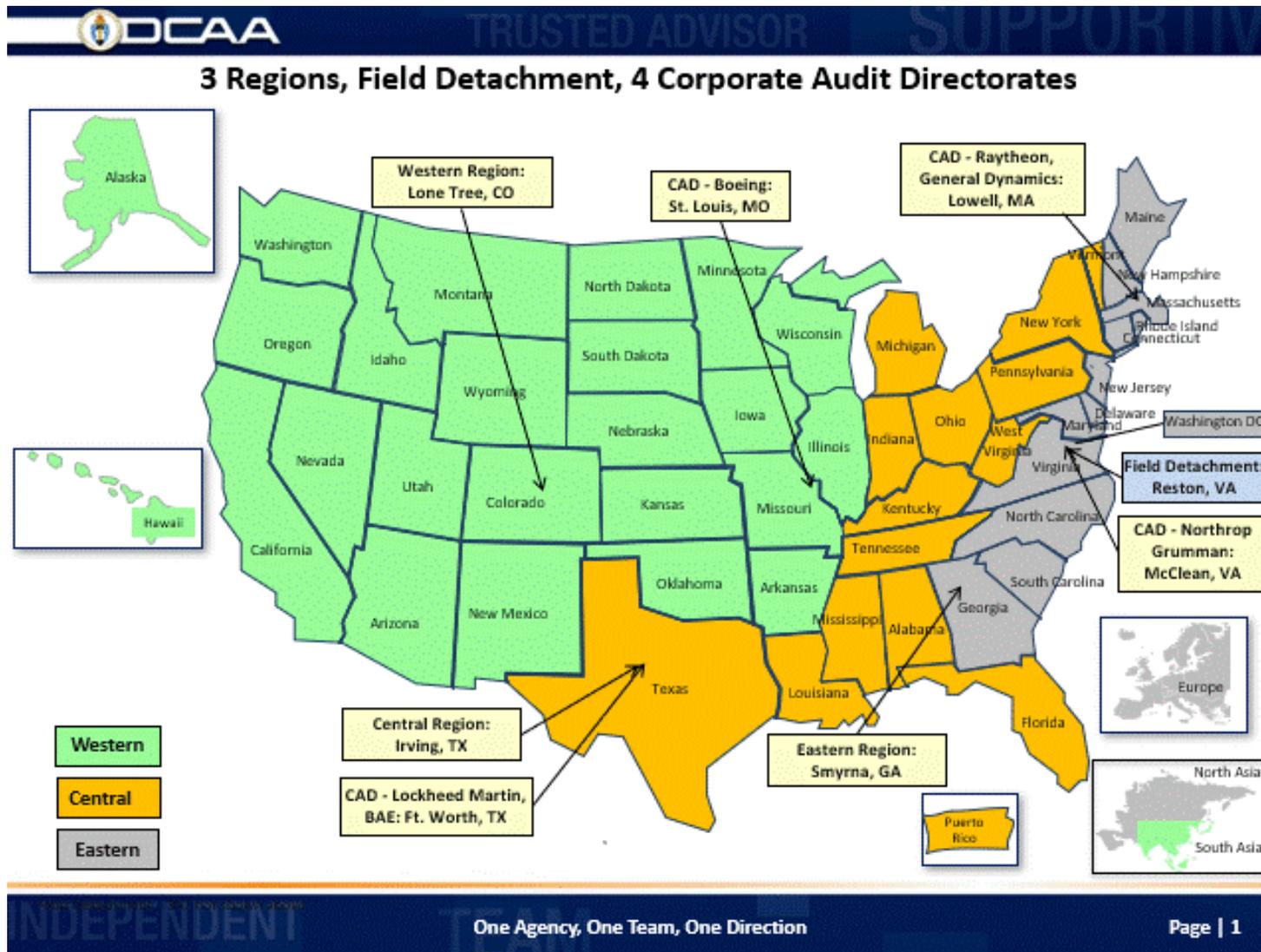
at 571-448-3478. Additional resources are available via the “Small Business” page at www.dcaa.mil.

d. Individuals having concerns or suggestions about the contract audit process should first bring these to local DCAA management's attention. Concerns not resolved at the local level should be elevated to the DCAA regional or CAD office. Each Deputy Director at the Region or CAD serves as the DCAA Director's primary regional point of contact to work with a company to resolve any issues not settled at the local level. Contact information for the Regions and CADs may be obtained from the local FAO or found on the Contact page at <http://www.dcaa.mil>.

d. DCAA encourages the use of this manual by all individuals interested in increasing their knowledge of audits by the Defense Contract Audit Agency. User comments and suggestions are welcome. All such correspondence should be addressed to:

Defense Contract Audit Agency
ATTN: Policy Auditing Standards Division (PAS)
8725 John J. Kingman Rd., Suite 2135
Fort Belvoir, VA 22060-6219
E-mail: dcaa.belvoir.hq.mbx.dcaa-pas@mail.mil

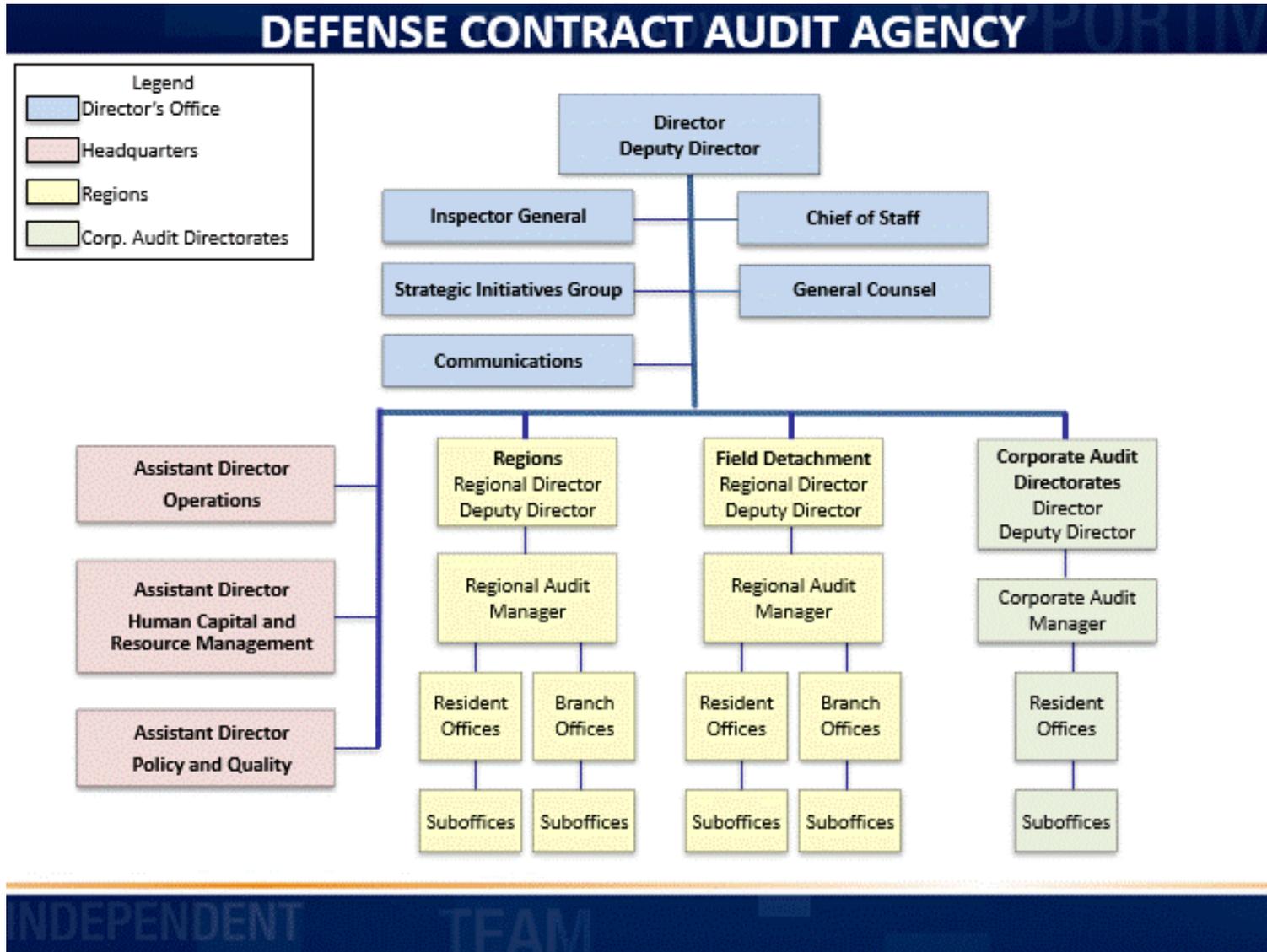
Figure 2. DCAA Region, Field Detachment, and CAD Locations.



Western Region includes Alaska, Hawaii, the Pacific and the Far East

Eastern Region includes the Caribbean, Central and South America, Europe, Africa, the Middle East, and Afghanistan

Figure 3. Defense Contract Audit Agency Organizational Chart.



ENCLOSURE 2

CONTRACT LIFECYCLE

1. Contract Lifecycle. The contract lifecycle consists of three phases: procurement, administrative, and close out/termination as shown in the following chart.



a. Procurement Phase. Initially, a Government organization performs a needs (requirement) analysis for a product. The organization then develops the product specifications and submits a purchase request to the Contracting Officer (CO). The CO, using legal, engineering, production, and pricing specialists, converts the purchase request into a solicitation asking one or more contractors to respond with a proposal. The contractor(s) prepares and submits a proposal (a cost estimate with proposed profit) to the CO. The CO analyzes the contractor proposal(s) using a team of pricing, technical, and audit specialists. DCAA may perform a pre-award accounting system survey, a price proposal audit, and/or participate in negotiations to provide technical advice on accounting matters. When all analyses and negotiations are complete, the CO creates a written contract. After the contract passes required reviews and approvals, it is signed and distributed to all parties.

(1) Procurement Methods.

(a) Micro-purchases with credit cards: These purchases are under \$10,000 as discussed in FAR Part 13 and do not require competitive bids or quotes. Government Agencies can simply pay using a Government Purchase Card or credit card, without involving a procuring contracting officer.

(b) Simplified acquisition procedures: These purchases are over \$10,000 but under \$250,000 as discussed in FAR Part 13. These purchases are reserved specifically for small businesses and small business set-aside

(c) Sealed bids: This purchasing method has very specific requirements as discussed in FAR Part 14. Agencies will use an Invitation for Bid, which is similar to a Request for Proposal (RFP). The businesses will submit sealed bids that are opened by a CO in a public setting, read aloud, and recorded. The award is given to the lowest bidder that is determined to be fully responsive to the government.

(d) Contracting by negotiation: This method is discussed in FAR Part 15, Contracting by Negotiation. FAR Part 15 describes the following source selection processes and techniques:

- Pre-solicitation notices.
- The actual contract format requirements.
- The source selection criteria.
- Contract pricing as it relates to certified cost or pricing data requirements.
- Procurement methods.
- Proposal analysis.
- Price negotiation.
- Preaward, award, and postaward notifications; protests; and mistakes in pricing.
- Unsolicited proposals.

FAR 15.408 Tables 15-1 and 15-2 tables specifically outline the regulatory requirements for submission of an adequate Government contract price proposal to the CO. Refer to <https://www.acquisition.gov/far/part-15> for copies of the current acquisition tables. Using the information noted in FAR 15.408 Table 15-1 and 15-2, the DCAA auditor will make a determination of the adequacy of the contractor's proposal.

(2) The RFP is used when the value of the Government contract is anticipated to exceed \$250,000 and the contract will necessitate a highly technical product or service.

- (a) The RFP will specifically identify a product or service.
- (b) The Government will issue the RFP.
- (c) The Government solicits proposals from prospective contractors on how they intend to carry out the requirements of the request, and what the final price will be to meet the requirements.
- (d) Proposals submitted in response to an RFP are subject to negotiation.
- (e) The RFP is typically used where there is a business need or problem and there is no commoditized item that will fit the bill. The Government knows the need but is looking for potential solutions from potential suppliers. The Government seeks the best value to the Government and the taxpayer.

(3) Request for Quote (RFQ) is used when the Government is merely checking into the possibility of buying an item (something off the shelf or a catalog item). The RFQ response from a contractor is not considered an offer, and consequently cannot be accepted by the Government to form a binding contract, as discussed in FAR Part 13. The RFQ is typically used where the item(s) being procured are commodities, where numerous suppliers could supply the same thing, and the desire is to base the buying decision on price per item. The buyer knows exactly what they want and can specify it accurately.

b. Administrative Phase. During the administrative phase, the contractor performs the work required by the statement of work in the contract, and the Government begins the payment process. The contract is administered by the Cognizant Federal Agency Official (CFAO), which is typically the Administrative Contracting Officer (ACO). There are several activities during this phase that may require DCAA audit support:

- (1) Change Order Proposals and Modifications
- (2) Progress Payments and Public Vouchers
- (3) Incurred Cost Audits
- (4) Cost Accounting Standards Audits
- (5) Post-award Audits
- (6) Terminations and Claims
- (7) Contractor Business System Audits

c. Close Out / Termination Phase - Once the contractor delivers the product or service, and the CO is satisfied that all terms of the contract are complete, the contract can be closed, and any remaining inventory dispositioned by the CO. Alternatively, a contract may be terminated prior to completion. The termination may be for convenience (the Government determined it no longer needs the goods or services) or for default (the contractor has failed to meet contract terms). The Government's objective in a termination is to promptly negotiate a settlement which will pay the contractor for the preparations made and the work done under the terminated portions of the contract. When appropriate, the Government allows a reasonable profit on work performed.

(1) The right of the Department of Defense to terminate Government contracts is important in maintaining military procurement flexibility and obtaining the maximum use of procurement funds. Each DoD contract must include a termination clause as reflected in FAR Part 52. The CO may issue a written Notice of Termination as outlined in FAR 49.102.

(2) Termination for convenience or default: the amount of money to which a contractor is entitled depends in part on the cause for termination and the type of contract involved. FAR Part 49 discusses terminations in detail. A termination may be either partial or complete. A contract is completely terminated when the termination notice directs the immediate cessation of all remaining contract work. Under a partial termination, the contractor continues to perform on the unterminated portions of the contract following the existing contract terms.

2. Contractor Records Retention.

DCAA performs all needed contract audits through evaluation of contractor records. FAR Subpart 4.7 generally describes contractor records retention requirements. Specific retention periods for the differing types of records are addressed as well as how to calculate retention periods. The full text of the FAR and DFARS is available at <https://www.acquisition.gov/>. Under FAR 4.703, contractors must “make available records, which includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form” unless otherwise excepted. Required records include computer data or data in any other form, as well as any other supporting evidence to satisfy contract

negotiation, administration, and audit requirements of the contracting agencies and the Comptroller General. FAR Subpart 4.7 applies to records generated under contracts that contain one of the following clauses:

- Audit and Records-Sealed Bidding (52.214-26).
- Audit and Records-Negotiation (52.215-2).

ENCLOSURE 3PREPARING FOR CONTRACT AWARD1. Accounting System

a. Preaward Accounting System Survey – Overview: A preaward accounting system survey is an evaluation, usually made by the cognizant contract administration office, of a prospective contractor's ability to perform a proposed contract. Such surveys may cover technical, production, quality assurance, financial capability, accounting system, and other considerations. Normally, DCAA may be requested to furnish information regarding the adequacy of the contractor's accounting system to accumulate the type of cost information required by the contract.

(1) Prior to the CO requesting a DCAA audit of your accounting system, the CO will ask you to complete the "Preaward Survey of Prospective Accounting System Checklist" (<https://www.dcaa.mil/Checklists-Tools/Pre-award-Accounting-System-Adequacy-Checklist/>). The checklist provides documentation to the auditor on how your accounting system meets the criteria in the SF 1408, Preaward Survey of Prospective Contractor Accounting System. The CO will provide the checklist to DCAA when they request an audit of your accounting system.

(2) The preaward accounting system survey is an examination before contract award to determine the acceptability of a contractor's accounting system design for accumulating costs under a prospective Government contract. The audit scope is limited to obtaining an understanding of the design of the prospective accounting system so as to appropriately complete the SF 1408, "Preaward Survey of Prospective Contractor Accounting System" (see [Figure 4](#) for additional discussion), and those procedures essential to reach an informed opinion as to whether or not the design of the prospective accounting system is acceptable for accumulating costs under a Government contract and has the ability to generate the specific cost information required under the anticipated contract.

(3) Contractors should recognize that an operable accounting system that is under general ledger control is of paramount importance when performing Government contracts. However, prospective contractors may have no work that requires the same type of accounting system required for Government work. A prospective contractor may not want to install a new, more detailed accounting system unless awarded a contract. In this case, if the potential Government contractor anticipates a contract award, it must have designed a system that is operable, though not necessarily in use. The contractor must be in a position to demonstrate this new system design to the auditor and be ready to implement the system prior to incurring any costs on the Government contract.

(4) If the auditor determines the design of the accounting system is not acceptable for accumulating costs under a prospective Government contract, the auditor will promptly notify both the contractor and the procurement official of the deficiencies and will usually identify recommendations for correcting the deficiencies. DCAA will not develop the new system, since this is the contractor's responsibility. Once the required corrective actions have been taken by the

contractor to correct the deficiencies, DCAA, if requested by the CO, will perform a follow-up audit of the revised system and/or corrected deficiencies.

b. Detailed Provisions of SF 1408 Preaward Accounting System Survey (Figure 4):

(1) Proper segregation of direct costs from indirect costs. DCAA will review the accounting system to determine if direct costs are segregated from indirect costs. Direct costs are defined in FAR 31.202 as any cost that can be identified specifically with a particular final cost objective (e.g., a contract). An example would be labor specifically identified to the contract or materials purchased specifically for the contract. At times, contractors may find it impractical to identify costs specifically to a contract. FAR 31.202 states that a direct cost can be treated as an indirect cost if the dollar amount is minor, it is treated the same way for all contracts in a contractor's accounting system, and that treatment produces substantially the same results as treating the cost as a direct cost. Indirect costs are defined in FAR 31.203 as any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. An example of an indirect cost would be the lighting in a manufacturing area that houses the work of several contracts. The lighting benefits all contracts and cannot practically be identified to a specific contract. These types of costs are normally placed in an overhead or General and Administrative (G&A) expense pool and allocated to contracts on some equitable basis. The cost accounting system should identify what costs are considered direct and what costs are considered indirect. Once these criteria are defined, they should be consistently applied.

(2) Identification and accumulation of direct costs by contract. DCAA will determine if the accounting system can accumulate costs by contract (commonly referred to as a job order cost accounting system).

(3) A logical and consistent method for the allocation of indirect costs to intermediate and final cost objectives. DCAA will determine if indirect costs are allocated to cost objectives based upon relative benefits received or other equitable relationship, as required by FAR 31.201-4, "Determining Allocability," and FAR 31.203, "Indirect Costs." Also, this means that a cost may not be allocated as an indirect cost to a final cost objective if other costs incurred for the same purpose have been included as direct costs of that or any other cost objective. For example, if a contractor wishes to perform a contract that requires three firemen on 24-hour duty at a fixed-post to provide protection against damage to highly flammable materials used on the contract, but the contractor already has a firefighting force for general protection of the plant, which is treated as an indirect cost and allocated to all contracts, the contractor may charge the cost of three of the post firemen directly to the particular contract requiring them. In this example, the contractor may also allocate a portion of the remaining cost of the general firefighting force to the same contract only if the separate classes of firemen can be shown to serve different purposes consistently (that is: (a) costs charged directly to the contract are only costs of three contract-required firemen at a fixed post who are protecting contract materials, and (b) no costs of these firemen are ever included in the indirect cost pool).

(4) Accumulation of costs under general ledger control. DCAA will determine if the job cost ledger and other books of account can be reconciled with the general ledger, and that the company accounting system is controlled by the general ledger.

(5) A timekeeping system that identifies employees' labor by intermediate or final cost objectives. DCAA will determine whether a contractor's timekeeping system has the ability to track employees' time spent on each work activity. (See Note 4. below for further information on timekeeping procedures and controls.)

(6) A labor distribution system that charges direct and indirect labor to the appropriate cost objectives. This is interconnected with the discussion of timekeeping. Once an employee's time is segregated as described below, the costs must be allocated to the appropriate cost objective(s).

(7) Interim (at least monthly) determination of costs charged to a contract through routine posting to books of account. DCAA will determine if the accounting system produces appropriate reports that show the results of charges to contracts. These reports should be produced at least monthly.

(8) Exclusion from costs charged to Government contracts of amounts that are not allowable pursuant to FAR Part 31, Contract Cost Principles and Procedures, or other contract provisions. The FAR identifies some costs as expressly unallowable: e.g., bad debts (FAR 31.205-3); contingencies (FAR 31.205-7); contributions or donations (FAR 31-205-8); and entertainment (FAR 31.205-14) and requires that they be excluded from proposals and billings. Costs mutually agreed to be unallowable between the contractor and the CO also may not be proposed or billed. DCAA will determine if the accounting system identifies these unallowable costs and segregates them in the books and records (or on some alternate acceptable informal basis that readily reconciles with the books and records). While these costs may be legitimate business expenses, they will not be accepted by the U.S. Government as allowable contract costs. FAR 42.709 authorizes the CO to assess a penalty if a contractor claims an expressly unallowable cost in (1) the final indirect cost rate proposal or (2) the final statement of costs incurred or estimated to be incurred under a fixed-price incentive contract.

(9) Identification of costs by contract line item and units (as if each unit or line item was a separate contract) if required by the proposed contract. Some contracts require that the cost of certain items be readily identifiable. In such cases, DCAA will review a contractor's accounting system to determine if a contractor can comply with such requirements.

(10) Segregation of preproduction costs from production costs. DCAA will review a contractor's accounting system to determine that the costs can be identified in this manner.

2. Postaward Accounting System. An accounting system audit may be performed after contract award. The objective is to determine if the accounting system complies, in all material respects, with the DFARS 252.242-7006 Accounting System Administration requirements (or applicable accounting system requirements for non-DoD contractors). It is usually performed at the request of the CO when (1) the auditor recommended a follow-up to a preaward accounting system

survey, or (2) a preaward accounting system survey was not conducted prior to contract award, and the CO determines that an audit is now required to support contract requirements. Auditors may also self-initiate a post contract award accounting system audit based on audit risk at a contractor location.

3. Labor Charging System.

a. A labor charging system should identify employees' labor by intermediate or final cost objectives and charge direct and indirect labor to the appropriate cost objectives. Internal controls should ensure the accuracy of labor charging and maintain supporting documentation to allow evaluation of compliance with regulations and contract terms.

b. Timekeeping Procedures. Timekeeping procedures and controls on labor charges are areas of utmost concern. Unlike other costs, labor is not supported by external documentation or physical evidence to provide an independent check or balance. The key link in any sound labor time charging system is the individual employee. It is critical to labor charging internal control systems that management indoctrinates employees on their independent responsibility for accurately recording time charges. This is the single most important feature management can emphasize in recognizing its responsibility to owners, creditors, and customers to guard against fraud and waste in the labor charging function. To be effective, the internal controls over labor charging should meet the following criteria:

(1) There should be a segregation of responsibilities for labor-related activities; for example, the responsibility for timekeeping and payroll accounting should be separated. In addition, supervisors who are accountable for meeting contract budgets should not have the opportunity to initiate employee time charges. It is recognized that, for a very small company, this type of segregation may not be possible, whereas for a larger company, this type of segregation would be required in order to have good internal controls over labor costs.

(a) Procedures must be evident, clear-cut, and reasonable so there is no confusion concerning the reason for controls or misunderstanding as to what is and what is not permissible.

(b) Maintenance of controls must be continually verified, and violations must be remedied through prompt and effective action, which serves as a deterrent to prospective violations.

(2) Individual employees must be constantly, although unobtrusively, made aware of controls that act as an effective deterrent against violations. Many businesses accomplish this by emphasizing the importance of timesheet preparation in staff meetings, employee orientation, and through the posting of signs throughout the workplace that remind employees of the importance of accurate and current timesheets.

c. Timesheet Preparation: A timesheet allows for the recording of hours worked on various tasks, and serves as input for project accounting, payroll, and/or billing processes. Timesheets, whether paper or electronic, are one of the most critical components to a timekeeping system. Internal controls over timesheet preparation should include the following policies or procedures:

- (1) Detailed instructions for timesheet preparation should be established through a timekeeping manual and/or company procedure.
- (2) The instructions should state that the nature of the work determines the proper distribution of time, not availability of funding, type of contract, or other factors.
- (3) A listing of project numbers and their descriptions should be provided to the employee and maintained in the work authorization system electronically or in a hard copy for the employee to refer to it as needed. This is done to promote accuracy of the distribution of time by project numbers, contract number or name, or other identifiers for a particular assignment.
- (4) Employees record their time on a timesheet on a daily basis. Employees at offsite locations, in secure facilities, or in a war zone may not have daily access to the electronic timekeeping systems, and for these circumstances the company should provide procedures to mitigate the risk of mischarging.
- (5) The supervisor should be prohibited from completing an employee's timesheet unless the employee is absent for a prolonged period of time on some form of authorized leave. Upon the employee's return, the employee should submit a timesheet in place of the one prepared by the supervisor.
- (6) Changes to the timesheet should be documented and supported through procedures that identify the original time charge, the corrected time charge, and documentation from the employee indicating his/her concurrence with the change.
- (7) All hours worked should be recorded whether they are paid or not. This is necessary because labor costs and associated overheads are affected by total hours worked, not just paid hours worked. Therefore, labor rate computations and labor overhead costs should reflect all hours worked. Unpaid hours worked are termed "uncompensated overtime." Solicitations over the simplified acquisition threshold contain the provision at FAR 52.237-10, Identification of Uncompensated Overtime, which details disclosure requirements for uncompensated overtime.
- (8) Employees should sign their timesheet certifying that the hours on the timesheet reflect the hours worked and the appropriate cost objective at the end of each work period. The supervisor should approve and cosign all timesheets.
- (9) The company policy should state that the accurate and complete preparation of timesheet the employee's responsibility. Careless or improper preparation may lead to disciplinary actions under company policies, as well as applicable Federal statutes.

d. Labor Floor Checks or Interviews. DCAA auditors periodically perform physical observations of work areas and interviews of employees to determine if: (1) employees are actually at work, (2) employees are performing in their assigned job classification, and (3) employee time is charged to the appropriate job or indirect account. These types of audits are referred to as labor floor checks or interviews. DCAA periodically performs unannounced floor

checks to determine compliance with timekeeping internal controls and policies and the reliability of employee time records at contractors performing work under cost reimbursable, time and material (T&M), and labor hour contracts.

Figure 4. Preaward Survey of Prospective Contractor Accounting System (SF 1408), continued.

SECTION II - EVALUATION CHECKLIST			
MARK "X" IN THE APPROPRIATE COLUMN (Explain any deficiencies in SECTION I NARRATIVE)	YES	NO	NOT APPLI-CABLE
1. EXCEPT AS STATED IN SECTION I NARRATIVE, IS THE ACCOUNTING SYSTEM IN ACCORD WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES APPLICABLE IN THE CIRCUMSTANCES?			
2. ACCOUNTING SYSTEM PROVIDES FOR:			
a. Proper segregation of direct costs from indirect costs.			
b. Identification and accumulation of direct costs by contract.			
c. A logical and consistent method for the allocation of indirect costs to intermediate and final cost objectives. (A contract is final cost objective.)			
d. Accumulation of costs under general ledger control.			
e. A timekeeping system that identifies employees' labor by intermediate or final cost objectives.			
f. A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.			
g. Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account.			
h. Exclusion from costs charged to government contracts of amounts which are not allowable in terms of FAR 31, Contract Cost Principles and Procedures, or other contract provisions.			
i. Identification of costs by contract line item and by units (as if each unit or line item were a separate contract) if required by the proposed contract.			
j. Segregation of preproduction costs from production costs.			
3. ACCOUNTING SYSTEM PROVIDES FINANCIAL INFORMATION:			
a. Required by contract clauses concerning limitation of cost (FAR 52.232-20 and 21) or limitation on payments (FAR 52.216-16).			
b. Required to support requests for progress payments.			
4. IS THE ACCOUNTING SYSTEM DESIGNED, AND ARE THE RECORDS MAINTAINED IN SUCH A MANNER THAT ADEQUATE, RELIABLE DATA ARE DEVELOPED FOR USE IN PRICING FOLLOW-ON ACQUISITIONS?			
5. IS THE ACCOUNTING SYSTEM CURRENTLY IN FULL OPERATION? (If not, describe in Section I Narrative which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) nonexistent.)			

STANDARD FORM 1408 (REV. 1/2014) BACK

ENCLOSURE 4PRICE PROPOSALS1. Requirements for Price Proposal Submission.

a. Prior to submitting your proposal to the CO, you should perform a self-assessment of the adequacy of your proposal using the Proposal Adequacy Checklist (DFARS 252.215-7009).

b. Cost or Pricing Data: Applicable provisions in the Truthful Cost or Pricing Data Act (still commonly referred to by its former name, the Truth in Negotiations Act (TINA)) require contractors to submit certified cost or pricing data if the procurement is above the certified cost or pricing data threshold (FAR 15.403-4(a)(1)) and none of the exceptions to certified cost or pricing data requirements applies. Under the TINA provisions, the CO obtains accurate, complete and current data from the contractor to establish a fair and reasonable price (FAR 15.403).

c. The CO may: (1) require proposal submission of certified cost or pricing data in the format prescribed in FAR 15.408, Table 15-2, (2) specify an alternative format, or (3) permit submission in the contractor's own format. FAR 15.408, Table 15-2, provides instructions on preparing a proposal, the supporting documentation required, and other information when certified cost or pricing data are required. An example of a completed proposal cover sheet (the first page of the proposal) as required by FAR 15.408, Table 15-2, and the associated proposal support, are found in the price proposal model (Figure 5). It is extremely important to prepare proposals in accordance with these instructions unless the CO specified an alternate format or approved the contractor's own format. FAR 15.408, Table 15-2, I. General Instructions, requires that specific information appear on the first page of the proposal.

d. Data Other Than Certified Cost or Pricing Data Required: Even when an exception to certified cost or pricing data applies (FAR 15.403-1), the CO is still required to establish a fair and reasonable price. In order to make this determination the CO may require data other than certified cost or pricing data, including data related to prices and cost data that may otherwise be defined as certified cost or pricing data if formally submitted and certified. Obtaining sufficient data or other than certified cost or pricing data from the contractor is particularly critical in situations where an item is determined to be a commercial item in accordance with FAR 2.101 and the contract is being awarded on a sole source basis. Data other than certified cost or pricing data may be submitted in the offeror's own format, unless the CO decides that use of a specific format is essential, and the format has been described in the solicitation (FAR 15.403-5(b)(2)). When DCAA is asked to audit data other than cost or pricing data, the scope of the engagement will vary. DCAA participation and the amount of support provided will be at the discretion of the CO. Since the audit process will vary, it is not practical to describe all possible scenarios. Therefore, we will discuss with the contractor what type of data will be requested from the contractor to accomplish the audit at an entrance conference.

2. Audit Services and Coordination. DCAA provides a number of forward pricing services to meet the needs of COs such as specific rate and cost data, limited scope audits, complete proposal examinations, etc. DCAA will coordinate agreed to services with the CO and will provide letters to the CO and contractor that will confirm the scope and timeframe for completion.

3. DCAA Audit.

a. The auditor initiates an audit when the Procuring Contracting Officer (PCO) or the ACO submits a request to the cognizant DCAA office. The auditor will identify the type of data required and review the proposal for adequacy using the contractor's completed Proposal Adequacy Checklist. DCAA will then contact a company representative and coordinate a walk-through of the proposal and related supporting documentation.

b. At the walk-through, contractor representatives familiar with the proposal, should be able to fully explain the proposal (assertion) and address questions from the Government team. It is important for the contractor personnel to be familiar with the proposal. The walk-through (meeting) will facilitate the early identification of any inadequacies that need to be addressed and provide an opportunity earlier in the acquisition process for the contractor to enhance the proposal. A walk-through provides an opportunity for all stakeholders to understand the composition of the proposal, identify any obvious data omissions, and may indicate whether the proposal contains inadequacies or if there are other issues that the contractor should address before audit and/or negotiations (e.g., the contractor has not finished its price/cost analysis of subcontracts).

c. The actual audit time at a contractor location will vary depending on the size and complexity of the audit and availability of data. The auditor will first review the contractor's proposal assertions to determine if it has been adequately prepared (in accordance with the instructions in FAR 15.408, Table 15-2 or the format specified by the CO). If the proposal has not been adequately prepared, the auditor will notify the CO of the deficiencies.

d. The responsibility for providing adequate supporting data lies solely with the contractor. The contractor is responsible for establishing the reasonableness of proposed costs; therefore, it is in the contractor's best interest to submit a fully supportable and well-prepared cost proposal. The basis and rationale for all proposed costs should be provided as part of the proposal.

e. When an auditor requests supporting documentation from a contractor, the request should clearly state what support is needed and when it should be provided. The contractor will be provided a reasonable amount of time to provide the data given the specific circumstances. Generally, documentation supporting the contractor's assertion (e.g., the contractor's proposal) should be readily available. Unless the request requires analysis by the contractor or there are extenuating circumstances (e.g., the request is for a voluminous amount of data or for data stored at an offsite location), the contractor should provide the documentation upon request. Support includes access to personnel, in addition to the documentation/data supporting the contractor's assertion (e.g., cost records, policies and procedures, management reports). Auditors will

generally need to obtain supporting documentation directly from the person responsible for the information.

f. While the duration of each audit depends on many factors, timely responses to requests and open communication with the audit team, including the Supervisory Auditor, will help shorten the audit cycle. If the contractor does not provide the requested information by the requested due date, and the contractor has not provided an appropriate explanation for the delay, the matter will be elevated and discussed with the contractor officials authorized to make decisions. If this discussion does not resolve the issue, a formal written request to the appropriate high-level contractor management official stating that the information should be provided by a specific date (generally not to exceed one week) with a copy to the CO(s). This written request is normally initiated as soon as the due date is missed. If the information requested or an appropriate explanation for the delay is not provided within one week, the auditor will notify the contractor that a formal denial of access to records exists and is being reported to appropriate Government personnel. Also, whenever possible, the proposal and supporting data should be provided in an electronic format unless there are extenuating circumstances.

g. When the price of a contract or contract modification exceeds the cost or pricing data threshold in FAR 15.403-4(a)(1) and is to be negotiated on the basis of cost or pricing data (e.g., historical accounting data, purchase orders, etc.), the contractor is required to certify that the data in support of its proposal are accurate, complete, and current (refer to FAR 15.403-4). In addition, FAR 15.404-1(c)(2)(iv) states that cost analysis also shall include appropriate verification that the offeror's cost submissions are in accordance with contract cost principles and, when applicable, the CAS. FAR 31.201-2 states that the factors to be considered in determining whether a cost is allowable include the following: (i) reasonableness; (ii) allocability; (iii) standards promulgated by the Cost Accounting Standards Board (CASB), if applicable, otherwise, generally accepted accounting principles and practices appropriate to the particular circumstances; (iv) terms of the contract; and (v) any limitations set forth in FAR Part 31.

h. Upon completion of the audit, the auditor will hold an exit conference with a designated company representative. The exit conference will address all factual aspects of the proposal audit. If exceptions are taken to the judgmental aspects of the proposal, the auditor will not disclose detailed conclusions relative to the reasons or amounts that may be questioned. These judgmental differences are subject to negotiation by the CO.

4. Examples of Data That DCAA May Request.

a. In order for DCAA to perform an evaluation, and to provide a timely, adequate, and fair evaluation of the contractor's proposal, the contractor should have available detailed schedules of the labor and overhead rates used in the proposal. The schedules should show computations and tie into the existing accounting system. The schedules should also present the historical data, the rationale used in deriving future projections, and exclude all unallowable costs (refer to FAR 31.201-6). Further, the accounting method used in estimating proposed costs should be the same as the method used to accumulate costs.

b. Examples of the type of data DCAA may request to support the contractor's assertions in its proposal may include:

(1) The basis of proposed labor rates and classifications including any proposed escalation factors.

(a) DCAA will want to understand how proposed labor rates were estimated and will need to audit any data that support these estimates.

(b) DCAA will want to understand and evaluate the basis of labor categories (labor grades) proposed and the hours assigned to each labor category.

(2) The basis of proposed labor hours, including staff-loading charts, comparisons of proposed hours to experienced hours for the production of similar items; and any learning curve applications.

(3) The basis of proposed material costs. This support should include a consolidated priced summary of individual material quantities included in the various tasks, orders, or contract line items being proposed and the basis for pricing (vendor quotes, invoice prices, competitive bids, etc.). Include raw materials, parts, components, assemblies, and services to be produced or performed by others. For all items proposed, identify the item and show the source, quantity, and price.

(4) The basis of proposed subcontract costs. Include documented support of the prime contractor's price analyses of all subcontractor proposals. In addition, if certified cost or pricing data is required per FAR 15.403-4 and not otherwise exempt, in accordance with FAR 15.403-1(b), submit the subcontractor's cost or pricing data as part of your own cost or pricing data, as well as your analyses of the subcontractor's cost or pricing data.

(5) Data showing the degree of competition and the basis for establishing the source and reasonableness of price for acquisitions (such as subcontracts, purchase orders, material order, etc.) exceeding, or expected to exceed, the appropriate threshold set forth at FAR 15.403-4 priced on the basis of adequate price competition.

(6) Explanation of the pricing method for interorganizational transfers priced at other than the cost of comparable competitive commercial work of the division, subsidiary, or affiliate of the contractor.

(7) The basis of the proposed indirect expense rates including overhead, general and administrative, material handling, and fringe benefits. Cost associated with direct and/or indirect rates are generally a very significant portion of the proposal. Contractors are required to provide trends and budgetary data covering all periods of performance to provide a basis for evaluating the reasonableness of proposed rate(s). Normally, this would consist of the current year detailed operating budget and a long-range forecast/strategic plan covering all the periods of performance. DCAA will want the operating budget to be at the departments/pool level with expense item detail supporting anticipated contract performance and the budget to detail indirect

expenses and show the relationship of direct labor (or other indirect expense allocation bases) to sales projections. DCAA will want comparisons by year of projected overhead expenses by account to prior years' incurred amounts which include out-year projections supported by the contractor's analysis of the impact on its rates based on its long-range forecast/strategic plan.

(8) The contractor is responsible for justifying and fully supporting all items in the proposal so that the audit will not be prolonged, or negotiations delayed. All significant problems related to factual aspects of the proposal will be fully discussed with the company's representative. The auditor is required to notify the CO of unsupported costs and to explain what is needed from the contractor to support the costs. Unsupported costs are those items for which the contractor does not furnish sufficient documentation to enable the auditor to reach a definitive conclusion. The CO generally will request the contractor furnish support for any estimates upon which DCAA cannot develop an adequate audit opinion.

(9) Data requested by DCAA to evaluate information other than cost or pricing data will be based on the DCAA assistance requested by the CO and the type of information (other than cost or pricing data) the contractor has submitted. When the CO requests that the auditor perform an examination of a proposal supported by cost information (other than cost or pricing data), then the auditor will request the type of data described in paragraphs (1) through (7). If the CO has requested that the auditor perform specific procedures on submitted cost information, paragraphs (1) through (7) above give an idea of the types of data that could be requested on a limited basis depending on the circumstances of the procurement and the cost information submitted by the contractor.

(10) Sometimes, the auditor may be asked to assist the CO in making his/her determination as to whether an item meets the commercial item definition in FAR 2.101 and/or as to whether the price is reasonable. Examples of data that may be requested when assisting a CO in evaluating offered commercial items include:

- (a) Source documents supporting sales history, quantities, and prices;
- (b) Documents identifying special terms and conditions;
- (c) Documents identifying customarily offered discounts for an item;
- (d) Sources of financial data such as surveys, financial studies, etc.;
- (e) Catalogs and price lists;
- (f) Historical data for an item previously not determined commercial that the offeror is now trying to qualify as a commercial item; or
- (g) Information other than cost or pricing data as discussed in (9) above.

5. Model Proposal - Advanced Tank Technologies (ATT). Background information, similar to the following, should be provided:

a. ATT was incorporated in the State of Maryland in 1985. ATT is a research and development concern specializing in engineering feasibility studies and surface vehicle design. In 1995, ATT developed a small manufacturing capability that enables it to manufacture prototypes of its basic designs. ATT had to borrow funds from a local lending institution to establish this capability. ATT provides services primarily to major DoD contractors on a firm-fixed price basis.

b. This procurement, solicited by RFP number DAAH01-09-R-0001, calls for the production of 50 prototypes of a new heavy-duty shock absorber. ATT designed this part under another Army contract for the Armored Personnel Carrier Program.

c. The period of performance is February 28, 2010 to September 30, 2012.

Figure 5. Model Proposal.

CONTRACT PRICING PROPOSAL COVER SHEET <i>(Cost or Pricing Data Required)</i>			1. SOLICITATION/CONTRACT/MODIFICATION NO. DAAH01-YR-R-0001			OMB NO.: 9000-0013 Expires: 09/30/98			
Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (VRS), Office of Federal Acquisition Policy, GSA, Washington, DC 20405									
2a. NAME OF OFFEROR ADVANCED TANK TECHNOLOGIES			3a. NAME OF OFFEROR'S POINT OF CONTACT ROBIN SMITH			3c. TELEPHONE NO.			
2b. FIRST LINE ADDRESS 777 ANYWHERE			3b. TITLE OF OFFEROR'S POINT OF CONTACT GOVERNMENT LIAISON			AREA CODE 555		NUMBER 111-1111	
2c. STREET ADDRESS			4. TYPE OF CONTRACT ACTION <i>(check)</i>						
2d. CITY TUCSON			2e. STATE AZ		2f. ZIP CODE 55555		<input checked="" type="checkbox"/> a. NEW CONTRACT <input type="checkbox"/> b. CHANGE ORDER <input type="checkbox"/> c. PRICE REVISION/ REDETERMINATION <input type="checkbox"/> d. LETTER CONTRACT <input type="checkbox"/> e. UNPRICED ORDER <input type="checkbox"/> f. OTHER <i>(Specify)</i>		
6. TYPE OF CONTRACT <i>(check)</i>			6. PROPOSED COST <i>(A+B+C)</i>						
<input checked="" type="checkbox"/> FFP <input type="checkbox"/> CPFF <input type="checkbox"/> CPIF <input type="checkbox"/> CPAF <input type="checkbox"/> FPI <input type="checkbox"/> OTHER <i>(Specify)</i>			A. COST \$21,375,132		B. PROFIT/FEE \$2,137,514		C. TOTAL \$23,512,646		
7. PERFORMANCE									
Place a. TUCSON, AZ			Period a. 			b. 			
8. List and reference the identification, quantity and total price proposed for each contract line item. A line item cost breakdown supporting this recap is required unless otherwise specified by the Contracting Officer. (Continue on reverse and then on plain paper, if necessary. Use same heading)									
a. LINE ITEM NO.		b. IDENTIFICATION			c. QUANTITY		d. TOTAL PRICE		e. PROP. REF. PAGE
0001		Tank Shock Absorbers			75,000		\$23,512,646		Exhibit
9. PROVIDE THE FOLLOWING <i>(if available)</i>									
NAME OF CONTRACT ADMINISTRATION OFFICE DCMA, TUCSON				NAME OF AUDIT OFFICE DEFENSE CONTRACT AUDIT AGENCY					
STREET ADDRESS 333 SOMEWHERE				STREET ADDRESS 711 OTHER PLACE					
CITY TUCSON		STATE AZ	ZIP CODE 55555		CITY TUCSON		STATE AZ	ZIP CODE 55555	
TELEPHONE	AREA CODE 555	NUMBER 123-1234		TELEPHONE	AREA CODE 555	NUMBER 999-9999			
10. WILL YOU REQUIRE THE USE OF ANY GOVERNMENT PROPERTY IN THE PERFORMANCE OF THIS WORK? <i>(If "Yes," identify)</i>				11a. DO YOU REQUIRE GOVERNMENT CONTRACT FINANCING TO PERFORM THIS PROPOSED CONTRACT? <i>(If "Yes," complete item 11b)</i>			11b. TYPE OF FINANCING <i>(check one)</i>		
<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO				<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			<input type="checkbox"/> ADVANCE PAYMENT <input checked="" type="checkbox"/> PROGRESS PAYMENTS <input type="checkbox"/> GUARANTEED LOANS		
12. HAVE YOU BEEN AWARDED ANY CONTRACTS OR SUBCONTRACTS FOR THE SAME OR SIMILAR ITEMS WITHIN THE PAST 3 YEARS? <i>(If "Yes," identify item#, customer#, and contract number(s) on reverse of form)</i>				13. IS THIS PROPOSAL CONSISTENT WITH YOUR ESTABLISHED ESTIMATING AND ACCOUNTING PRACTICES AND PROCEDURES AND FAR PART 31 COST PRINCIPLES? <i>(If "No," explain on reverse of form)</i>					
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO				<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO					
14. COST ACCOUNTING STANDARDS BOARD (CASB) DATA <i>(Public Law 91-379 as amended and FAR PART 30)</i>									
a. WILL THIS CONTRACT ACTION BE SUBJECT TO CASB REGULATIONS <i>(If "No," explain in proposal.)</i>				b. HAVE YOU SUBMITTED A CASB DISCLOSURE STATEMENT (CASB DS-1 or 2)? <i>(If "Yes," specify in proposal the office to which submitted and if determined to be adequate.)</i>					
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO				<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
c. HAVE YOU BEEN NOTIFIED THAT YOU ARE OR MAY BE IN NONCOMPLIANCE WITH YOUR DISCLOSURE STATEMENT OR COST ACCOUNTING STANDARDS? <i>(If "Yes," explain in proposal.)</i>				d. IS ANY ASPECT OF THIS PROPOSAL INCONSISTENT WITH YOUR DISCLOSED PRACTICES OR APPLICABLE COST ACCOUNTING STANDARDS? <i>(If "Yes," explain in proposal.)</i>					
<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO				<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and Table 15-2. By submitting this proposal, we grant the Contracting Officer and authorized representative(s) the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price.									
15. NAME OF OFFEROR <i>(Type)</i> Frank Johnson			15. TITLE OF OFFER <i>(Type)</i> President			16. NAME OF FIRM Advanced Tank Technologies			
17. SIGNATURE <i>Frank Johnson</i>			18. DATE OF SUBMISSION mm/dd/yyyy			STANDARD FORM 1411 (REV. 10-95) Prescribed by GSA FAR (48 CFR) 53.215-2(a)			
AUTHORIZED FOR LOCAL REPRODUCTION Previous edition is not usable									

Automated form (WordPerfect Informs 1.0) (5-96)

Figure 5. Model Proposal, continued.

Advanced Tank Technologies Tucson, AZ					
	<u>YYYY</u>	<u>YYYY+1</u>	<u>YYYY+2</u>	<u>Total</u>	<u>Notes</u>
Materials	\$685,000	\$6,165,000	\$0	\$6,850,000	1
Material Handling O/H	34,250	308,250	0	342,500	2
Manufacturing Labor	262,900	1,006,120	1,414,224	2,683,244	3
Manufacturing O/H	330,202	1,202,313	1,629,186	3,161,701	2
Engineering Labor	1,346,073	1,452,692	770,318	3,569,083	4
Engineering O/H	791,491	801,886	464,502	2,057,879	2
Other Direct Cost	454,152	466,121	0	920,273	5
Subtotal	<u>\$3,904,068</u>	<u>\$11,402,382</u>	<u>\$4,278,230</u>	<u>\$19,584,680</u>	
General & Admin.	343,558	1,049,019	397,875	1,790,452	2
Total Proposed Cost	<u>\$4,247,626</u>	<u>\$12,451,401</u>	<u>\$4,676,105</u>	<u>\$21,375,132</u>	
Profit @ 10%	424,763	1,245,140	467,611	2,137,514	6
Total Proposed Price	<u><u>\$4,672,389</u></u>	<u><u>\$13,696,541</u></u>	<u><u>\$5,143,716</u></u>	<u><u>\$23,512,646</u></u>	

1. Materials are based on vendor quotations through the date of the proposal submission. Quotations received after that date will be considered at negotiations. The respective parts are multiplied by the required quantities necessary to complete the product.
2. Material Handling O/H, Manufacturing O/H, Engineering O/H, and General & Administrative expenses are based on the FPRA negotiated with the contracting officer multiplied by the proposed base costs.
3. Manufacturing labor is computed by multiplying the estimated hours for each job category by the escalated hourly rate. An escalation rate of 6 percent is the factor proposed.
4. Engineering labor is computed exactly the same as manufacturing including the escalation factor.
5. Other direct costs are for various trips to Memphis, TN and Philadelphia, PA. Packaging and shipping costs are proposed based on the RFP limitations. Other direct costs also include Consultant Costs for two consultants as requested in the RFP.
6. Profit at 10 percent is our historical profit percentage.

Figure 5. Model Proposal, continued.**Summary of Engineering Labor**

PROPOSED	YYYY			YYYY+1			YYYY+2			Grand Total
	Hours	Rate	Amount	Hours	Rate	Amount	Hours	Rate	Amount	
Project Mgr	1,683	\$33.93	\$57,104	1,760	\$35.97	\$63,307	1,507	\$38.13	\$57,462	\$177,873
Sr. Engineer	10,200	26.39	269,178	10,900	27.97	304,873	1,700	29.65	50,405	624,456
Jr. Engineer	10,800	22.12	238,896	10,500	23.45	246,225	1,900	24.86	47,234	532,355
Eng. Aide	10,800	14.50	156,600	5,050	15.37	77,619	500	16.29	8,145	242,364
Technical Writer	1,000	16.00	16,000	15,000	16.96	254,400	10,900	17.98	195,982	466,382
Metallurgist	11,900	18.95	225,505	10,200	20.09	204,918	8,700	21.30	185,310	615,733
Draftsman	20,200	18.95	382,790	15,000	20.09	301,350	10,600	21.30	225,780	909,920
Total Proposed			<u>\$1,346,073</u>			<u>\$1,452,692</u>			<u>\$770,318</u>	<u>\$3,569,083</u>

Summary of Manufacturing Labor

PROPOSED	YYYY			YYYY+1			YYYY+2			Grand Total
	Hours	Rate	Amount	Hours	Rate	Amount	Hours	Rate	Amount	
Fabrication	14,000	\$10.85	\$151,900	34,600	\$11.50	\$397,900	33,600	\$12.19	\$409,584	\$959,384
Assembly	12,000	9.25	111,000	62,000	9.81	608,220	96,600	10.40	1,004,640	1,723,860
Total Proposed			<u>\$262,900</u>			<u>\$1,006,120</u>			<u>\$1,414,224</u>	<u>\$2,683,244</u>

The supporting data showing the historical hours and the development of the proposed hours are in file "DAAH01-0X-R-0001, Hours" and is available immediately upon request.

The direct labor rates are based on actual average rates as of 31 October 202X and escalated 5 percent each year. The supporting data and rate calculations are located in file "DAAH01-0X-R-0001, Direct Labor Rates" and is available immediately upon request.

Figure 5. Model Proposal, continued.

Engineering Labor Rates

		<u>Proposed</u>				<u>Proposed</u>	
	<u>Class.</u>	<u>Rate</u>		<u>Class.</u>	<u>Rate</u>		<u>Rate</u>
ProjMgr	PM-1	<u>\$33.93</u>		TechWrit	TW-1	\$17.00	
					TW-2	\$15.65	
SrEng	SrEng-1	\$27.30			TW-3	<u>\$15.35</u>	
	SrEng-2	\$26.33			AVG	<u>\$16.00</u>	
	SrEng-3	\$25.55					
	AVG	<u>\$26.39</u>		Metallurgist	MGST-1	\$19.90	
					MGST-2	\$18.95	
JrEng	JrEng-1	\$22.50			MGST-3	<u>\$18.00</u>	
	JrEng-2	\$22.10			AVG	<u>\$18.95</u>	
	JrEng-3	<u>\$21.75</u>					
	AVG	<u>\$22.12</u>		Draftsman	Draft-1	\$19.50	
					Draft-2	\$19.00	
EngAide	Aide-1	\$15.00			Draft-3	<u>\$18.35</u>	
	Aide-2	<u>\$14.00</u>			AVG	<u>\$18.95</u>	
	AVG	<u>\$14.50</u>					

Figure 5. Model Proposal, continued.**Manufacturing Labor Rates**

	<u>Proposed</u> <u>Class.</u>	<u>Rate</u>
Fabrication	Fab-1	\$12.00
	Fab-2	\$10.75
	Fab-3	<u>\$9.80</u>
	AVG	<u><u>\$10.85</u></u>
Assembly	Asm-1	\$10.50
	Asm-2	\$9.00
	Asm-3	<u>\$8.25</u>
	AVG	<u><u>\$9.25</u></u>

Figure 5. Model Proposal, continued.

Advanced Tank Technologies Tucson, AZ				
Materials	Quantity	Unit Price	Total	Notes
Sheet Metal (Sheet)	16,000	\$25.00	\$400,000	1
Casings Outer (Each)	75,000	18.50	1,387,500	2
Casings Inner (Each)	75,000	17.50	1,312,500	2
Impact Cap (Each)	75,000	15.75	1,181,250	3
Piston (Each)	75,000	14.50	1,087,500	4
Springs (Each)	75,000	8.00	600,000	5
Check Valve (Each)	75,000	7.50	562,500	6
Rod (Each)	75,000	2.25	168,750	4
Hydraulic Fluid (Gal.)	15,000	10.00	150,000	7
Total			<u><u>\$6,850,000</u></u>	
YYYY at 10 percent			<u><u>\$685,000</u></u>	
YYYY+1 at 90 percent			<u><u>\$6,165,000</u></u>	

1. Sheet metal price is from ACME Metal works.
2. Both the inner and outer casings price is from Metal Fabricators Inc.
3. Impact Cap price is from Survco.
4. The piston and rod prices are from Piston Mfg.
5. Springs price is from Spring Tech
6. Check valve price is from Valve and Pump, Inc.
7. The hydraulic fluid price is from Fluids, Inc.

Figure 5. Model Proposal, continued.

	Indirect Expenses										Grand Total
	Note	YYYY			YYYY+1			YYYY+2			
		Base	Rate	Amount	Base	Rate	Amount	Base	Rate	Amount	
Manufacturing Overhead	1	\$262,900	125.6%	\$330,202	\$1,006,120	119.5%	\$1,202,313	\$1,414,224	115.2%	\$1,629,186	\$3,161,701
Engineering Overhead	2	\$1,346,073	58.8%	\$791,491	\$1,452,692	55.2%	\$801,886	\$770,318	60.3%	\$464,502	\$2,057,879
Material Handling Overhead	3	\$685,000	5.0%	\$34,250	\$6,165,000	5.0%	\$308,250		5.0%	\$0	\$342,500
General & Administrative	4	\$3,904,068	8.8%	\$343,558	\$11,402,382	9.2%	\$1,049,019	\$4,278,230	9.3%	\$397,875	\$1,790,452

Base Descriptions:

- 1 Manufacturing Overhead labor dollars
- 2 Engineering Overhead labor dollars
- 3 Direct material dollars
- 4 Total Cost Input

All hours proposed are based on historical costs, reference contract DAAH01-0X-C-0001, account 9271

Figure 5. Model Proposal, continued.

	FPRA Rates			
	<u>YYYY</u>	<u>YYYY+1</u>	<u>YYYY+2</u>	<u>YYYY+3</u>
Manufacturing Overhead	125.6%	119.5%	115.2%	110.5%
Engineering Overhead	58.8%	55.2%	60.3%	65.5%
Material Handling Overhead	5.0%	5.0%	5.0%	5.0%
General & Administrative	8.8%	9.2%	9.3%	9.5%

The contractor and the ACO, DCMA (City), negotiated a forward pricing rate agreement (FPRA) on 1/15/YEAR.

6. Negotiations. In the process of negotiating the contract terms and price, the PCO or ACO will meet with the contractor. Depending upon the significance and complexity of the procurement, this meeting may be face to face or by telephone. The PCO or ACO is assisted in the negotiations by the auditor's report. The auditor may also attend negotiation meetings to provide support to the PCO or ACO.

7. The Truthful Cost or Pricing Data Act (still commonly referred to by its former name, the Truth in Negotiations Act (TINA)).

a. Procurements by DoD, Statutory Requirement: Contracts over \$ 2,000,000, awarded after June 30, 2018 for the Department of Defense (DoD), National Aeronautics and Space Administration (NASA), and the U.S Coast Guard are subject to TINA and codified at 10 U.S. Code (U.S.C.) Chapter 271. Similar requirements for public contracting with other federal agencies is codified at 41 U.S.C. Chapter 35. The law requires contractors to disclose relevant cost or pricing data before agreeing to a price on most negotiated procurements. The FAR implements these cost or pricing data requirements at FAR 15.403-4.

b. Objective. TINA is a disclosure statute, drafted to put the Government on equal footing with contractors when negotiating most non-competitive contracts. Its objective is to avoid unnecessary contract costs which can result from a contractor having possession of accurate, complete, and current information when the Government does not possess that same information. This "level playing field" standard provides the basis for TINA requirements and attempts to establish a negotiating position for the Government that is equal to the contractor in order to establish a fair, reasonable price.

c. Cost or Pricing Data. Cost or pricing data as defined by FAR 2.101 means all facts that existed and reasonably available as of the date of the price agreement. Cost or pricing data are factual, not judgmental, and are verifiable. While they do not indicate the accuracy of the prospective contractor's judgment about estimated future costs or projections, they include the cost or pricing data forming the basis for that judgment.

d. Exceptions. FAR 15.403-1(b) implements the cost or pricing data exceptions established under TINA. Generally, cost or pricing data is not required when prices are based on adequate price competition, set by law or regulations, or when a commercial item is being acquired. Only the head of the contracting activity can grant waivers for submission of certified cost or pricing data for exceptional circumstances.

e. If none of the FAR 15.403-1 exceptions apply, the PCO is required to obtain certified cost or pricing data before the award of negotiated contracts exceeding the threshold.

f. Manner of Disclosure. FAR 15.408, Table 15-2 (Note 1) describes a clear distinction between submitting certified cost or pricing data and merely making available books, records, and other documents without identification. The requirement for submitting certified cost or pricing data is met when all relevant cost or pricing data reasonably available to the offeror have been submitted, either physically providing it or by specific identification to the CO or an authorized representative. The requirement for submission of certified cost or pricing data

continues up to the time of agreement on price or an earlier date agreed upon between the Government and the contractor.

g. Certification. If cost or pricing data were required, the contractor must submit a Certificate of Current Cost or Pricing Data in the format specified in FAR15.406-2. The contractor is certifying the cost or pricing data were accurate, complete, and current as of the date of agreement on price (or an earlier date agreed upon between the parties as close as practicable to the date of agreement on price).

FAR 15.406-2 certificate language: *This is to certify that, to the best of my knowledge and belief, the cost or pricing data (as defined in section 2.101 of the Federal Acquisition Regulation (FAR) and required under FAR subsection 15.403-4) submitted, either actually or by specific identification in writing, to the Contracting Officer or to the Contracting Officer's representative in support of ____* are accurate, complete, and current as of ____**. This certification includes the cost or pricing data supporting any advance agreements and forward pricing rate agreements between the offeror and the Government that are part of the proposal.*

h. Accurate, Complete, and Current Cost. Accurate cost or pricing data is data free from errors. Complete cost or pricing data includes a combination of facts and the relevant circumstances surrounding those facts that a prudent buyer and seller would reasonably expect to affect price negotiations significantly. Current cost or pricing data is data related to the prospective costs sufficiently current to permit a fair and reasonable price. FAR 15-403-3(a)(3) requires the PCO to ensure that data used to support price negotiations are sufficiently current to permit the negotiation of a fair and reasonable price. Current cost or pricing data includes updates and any new information that would affect price negotiations significantly and would reasonably be expected to contribute to the soundness of estimated future costs.

i. Audit Examination. FAR 15.408, Table 15-2 (Note 2) acknowledges when submitting a proposal (and before contract award), the contractor is granting the PCO or an authorized representative the right to examine records that formed the basis for the proposed amounts. That examination can take place at any time before the award. It may include an examination of the contractor books and records, purchase history, and other types of cost or pricing data that will permit an adequate evaluation of the proposed price (regardless of form or whether the data are specifically referenced or included in the proposal as the basis for pricing).

j. After contract award of a negotiated pricing action, the proposal may be selected for TINA compliance under 10 U.S.C. Chapter 271. The selection for audit may be based on various factors such as the contract type, dollar value, the circumstances surrounding the procurement, or when requested by the CO. The audit is performed to determine whether submitted certified cost or pricing data were accurate, complete, and current. Generally, the selection for audit is not an indicator of suspected irregularities but an overall part of evaluating compliance with the disclosure requirements established by law.

k. Contract Price Adjustment. TINA allows the Government to adjust the contract price when cost or pricing data disclosed to the Government is defective. Generally, defective cost or

pricing data is cost or pricing data that was inaccurate, incomplete, and noncurrent as of the date of the price agreement.

ENCLOSURE 5COST ACCOUNTING STANDARDS1. Cost Accounting Standards (CAS) - Public Law 100-679.

a. The 1988 Public Law 100-679 re-established the Cost Accounting Standards Board (CASB) within the Office of Federal Procurement Policy, which falls under the Office of Management and Budget. This statute, codified as 41 U.S.C. §422, requires certain contractors and subcontractors to comply with the CAS; to disclose their cost accounting practices in writing; and to consistently follow their disclosed cost accounting practices. When enacted, the legislation expressly provided that all then-existing 19 standards, waivers, exemptions, interpretations, modifications, rules and regulations issued by the original CASB to remain in effect. The legislation expanded the applicability of CAS to all executive agencies and their contractors and subcontractors.

b. The CASB consists of five members including the Administrator of Office of Federal Procurement Policy, who is the Chairman, and one member each from DoD, General Services Administration, industry, and an individual who is who is particularly knowledgeable about cost accounting problems and systems (generally expected to be from the accounting profession). The DCAA Director is the CASB member representing DoD. The CASB promulgated 19 standards have the full effect of the law – 48 CFR Part 9904. Regulations implementing CAS appear in 48 CFR Part 9903 and in FAR Part 30. 48 CFR Chapter 99 is available on the Electronic Code of Federal Regulations website at www.ecfr.gov.

c. The official rules, regulations, and standards issued by the CASB are binding on all executive agencies, their contractors, and subcontractors. Therefore, in pricing, administering, and settling contracts covered by this legislation, CASB standards, and associated CASB rules and regulations, must be used to estimate, accumulate, and report the associated costs on contracts and subcontracts with the United States Government.

d. CAS relates to the allocability of costs, while FAR Part 31 relates to both allocability and allowability of costs. All contractors performing negotiated U.S. Government contracts must comply with FAR Part 31, regardless of the contract's CAS coverage status.

e. CAS Working Group: To interpret the CASB rules and regulations for implementing in DoD procurement practices, DoD established a CAS Steering Committee and Working Group in 1976. During its existence, the CAS Working Group issued a number of Interim Guidance Papers on a variety of subjects, most of which are still in effect and incorporated into this enclosure. The Interim Guidance Papers were approved by the Office of the Secretary of Defense (Research and Engineering) and given wide distribution.

f. CAS Preambles consist of:

(1) Part I—Preambles to the Cost Accounting Standards Published by the Cost Accounting Standards Board,

- (2) Part II—Preambles to the Related Rules and Regulations Published by the Cost Accounting Standards Board, and
- (3) Part III—Preambles Published under the FAR System.

h. The Preambles are not binding; however, they provide background and guidance for the Standards and related Rules and Regulations, and they explain the positions taken by the CASB in response to public comments.

2. CAS Applicability and Types of Coverage.

a. Types of CAS Coverage: CAS covered contracts or subcontracts may be subject to full, modified, or other types of CAS coverage.

(1) Full CAS Coverage – subject to all 19 standards, and the contractor must submit the Disclosure Statement Form CASB DS-1. The CAS standards have the full effect of law. CASB rules, regulations, and standards apply to negotiated contracts that are not exempt in accordance with 48 CFR 9903.201-1. Full CAS coverage applies to a contractor business unit that:

- Receives a single CAS-covered contract award, including option amounts, of \$50 million or more; or
- Received \$50 million or more in net CAS-covered awards during its preceding cost accounting period.

(2) Modified CAS Coverage (CAS clause at FAR 52.230-3)– requires the contractor comply with only 4 standards (CAS 401, 402, 405, and 406), and the contractor may be required to submit a disclosure statement. Modified CAS coverage applies to a covered contract of less than \$50 million but greater than \$7.5 million, awarded to a business unit that received less than \$50 million in net CAS-covered awards in the immediately preceding cost accounting period.

- If a contract is awarded with modified CAS coverage, all CAS-covered contracts awarded to that business unit during that cost accounting period must also have modified coverage with the following exception: if the business unit receives a single CAS-covered contract award of \$50 million or more, that contract must be subject to full CAS coverage. Thereafter, any covered contract awarded in the same cost accounting period must also be subject to full CAS coverage.

- A contract awarded with modified CAS coverage shall remain subject to such coverage throughout its life regardless of changes in the business unit's CAS status during subsequent cost accounting periods.

(3) Foreign Concern – subject to 2 standards (CAS 401 & 402) and may be required to submit a disclosure statement.

(4) Contracts and subcontracts with educational institutes are subject to Part 9903 and CAS specified in 48 CFR Part 9905 (CAS 501, 502, 505, and 506) are subject to disclosure statement requirements of 9903.202 and must complete CASB DS-2.

b. A flowchart for determining CAS applicability and Disclosure Statement submission is shown in Figure 6. The flowchart may be used to determine CAS applicability and Disclosure Statement submission requirements for a contractor or subcontractor that is performing CAS covered Government contracts.

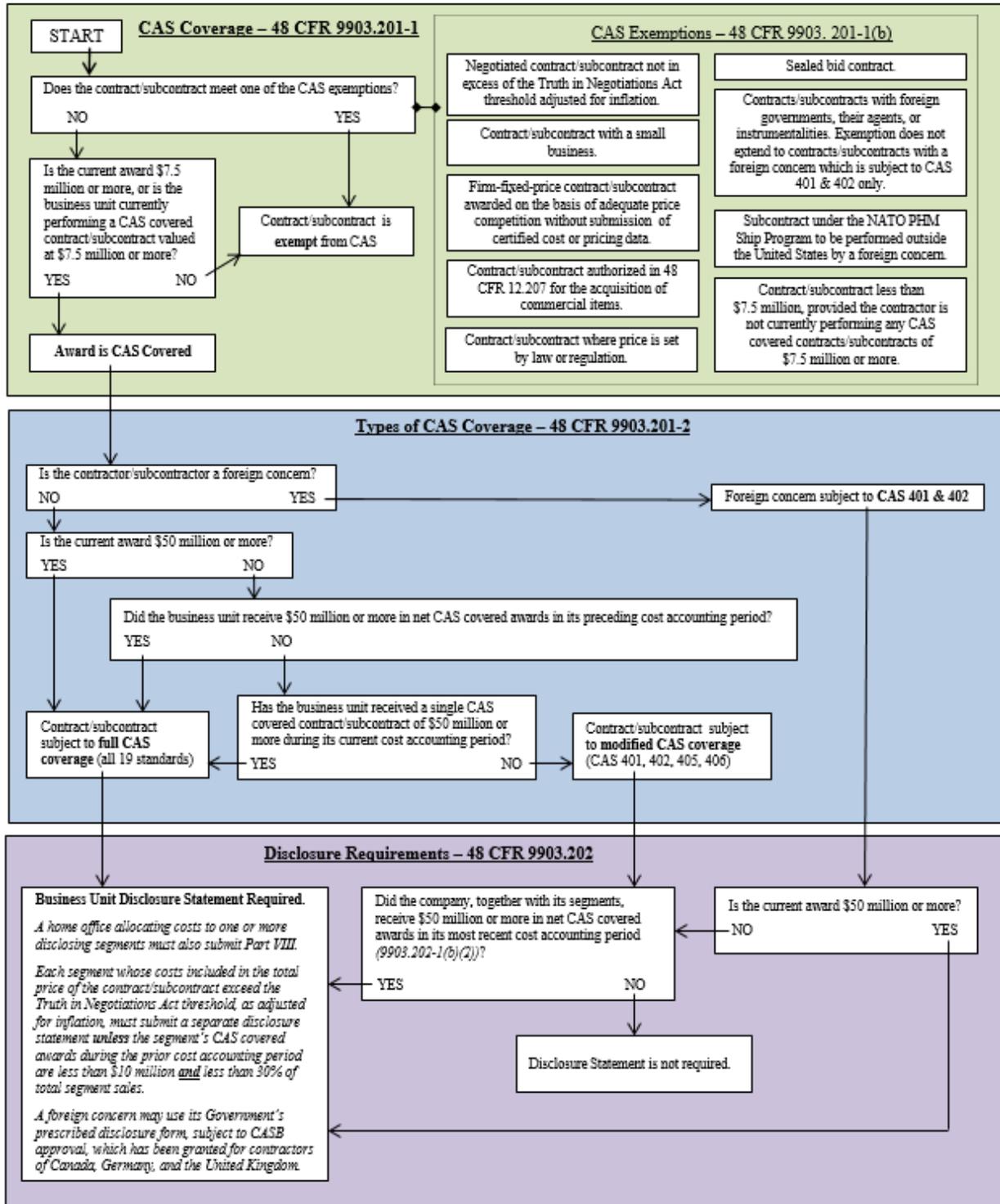
3. CAS Exemptions.

The following categories of contracts and subcontracts are exempt from all CAS requirements (48 CFR 9903.201-1(b)):

- a. Sealed bid contracts.
- b. Negotiated contracts and subcontracts (including interdivisional work orders) less than the Truthful Cost or Pricing Data Act (i.e., TINA) threshold, which is currently \$2,000,000. For purposes of this exemption, an order issued by one segment to another segment shall be treated as a subcontract.
- c. Contracts and subcontracts with small businesses. FAR Subpart 19.3 addresses determination of status as a small business. A small business (offeror) is one that represents, through a written self-certification, that it is a small business concern in connection with a specific solicitation and has not been determined by the Small Business Administration (SBA) to be other than a small business. The CO accepts an offeror's representation unless that representation is challenged or questioned. If the status is challenged, the SBA will evaluate the status of the concern and make a determination. (Specific standards appear in Part 121 of Title 13 of the Code of Federal Regulations.)
- d. Contracts and subcontracts with foreign governments or their agents or instrumentalities or, insofar as the requirements of CAS other than CAS 9904.401 and 9904.402 are concerned, any contract or subcontract awarded to a foreign concern.
- e. Contracts and subcontracts in which the price is set by law or regulation.
- f. Contracts and subcontracts authorized in 48 CFR 12.207 for the acquisition of commercial items. Authorized contract types include firm fixed-price and fixed-price with economic price adjustment (provided that price adjustment is not based on actual costs incurred), T&M, and labor hour contracts and subcontracts for the acquisition of commercial items. Also includes Indefinite-delivery contracts priced using the same fixed methods.
- g. Contracts or subcontracts of less than \$7.5 million, provided that, at the time of the 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.
- h. Subcontracts under the NATO PHM Ship program to be performed outside the United States by a foreign concern.
- i. Firm-fixed-price contracts or subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data.

Figure 6.

CAS Coverage and Disclosure Statement Determination Flowchart



4. CAS Waivers.

a. The CAS statute, 41 U.S.C. § 422, authorizes the CAS Board to waive CAS requirements on individual contracts and subcontracts. 48 CFR 9903.201-5 addresses CAS waivers.

b. The CAS Board has granted authority to waive CAS to heads of executive agencies. Implementing guidance is in FAR 30.201-5 and DFARS 230.201-5. FAR 2.101 defines “executive agency” as executive, military, and independent departments. Delegation of waiver authority may not be made lower than the senior contract policymaking level of the agency.

c. Heads of executive agencies may waive CAS under the following two circumstances:

(1) The contract or subcontract is less than \$15 million, and the segment performing the work is primarily engaged in the sale of commercial items and has no contracts or subcontracts subject to CAS, or

(2) “Exceptional circumstances” exist whereby a waiver of CAS is necessary to meet the needs of the agency. Exceptional circumstances are deemed to exist only when the benefits to be derived from waiving CAS outweigh the risk associated with the waiver. A waiver for exceptional circumstances must be in writing and include a statement of the specific circumstances that justify granting the waiver. On January 31, 2003, the Defense Procurement and Acquisition Policy issued guidance which provides that all three of the following criteria must be met for a waiver of CAS to be considered under “exceptional circumstances:”

(a) 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,

(b) The price can be determined to be fair and reasonable without the application of the Cost Accounting Standards, and

(c) There are demonstrated benefits to granting the waiver.

5. Flowdown of CAS Clauses (FAR 52.230-2).

The CAS clauses at FAR 52.230-2(d), and FAR 52.230-3(d) (for full and modified CAS coverage, respectively) require that contractors flow the CAS requirements down to subcontractors and require a contractor to include the substance of the CAS clause in all negotiated subcontracts (at any tier) into which the contractor enters. This is commonly referred to as the “CAS flow down clause”. Subcontractors must comply with any applicable standards in effect at the time the subcontract is awarded plus any new standards that become applicable to the subcontractor. If a subcontract meets one of the CAS exemptions at 48 CFR 9903.201-1, the subcontract will not be subject to CAS.

6. Submission of Disclosure Statement Form No. CASB DS-1 (48 CFR 9903.202-1(b)).

Contractors must use a disclosure statement format prescribed by the CASB when describing their cost accounting practices. Completed disclosure statements are required in the following circumstances:

a. Any business unit (as defined in CAS 410-30(a)(2)) that is selected to receive a CAS-covered contract or subcontract of \$50 million or more, including option amounts, shall submit a disclosure statement before award.

b. Any company which, together with its segments (see CAS 410-30(a)(7)), received net CAS-covered awards totaling \$50 million or more in its most recent cost accounting period shall submit a disclosure statement before award of its first CAS-covered contract in the immediately following cost accounting period. However, if the first covered award is made within 90 days of the start of the cost accounting period, the contractor is not required to file until the end of the 90 days.

c. When a disclosure statement is required, a separate disclosure statement must be submitted for each segment whose costs are included in the total price of any CAS-covered contract or subcontract exceeding the Truth in Negotiations threshold, unless:

(1) The contract or subcontract is exempted by 48 CFR 9903.201-1, or

(2) In the most recently completed cost accounting period the segment's CAS-covered awards are less than 30 percent of total segment sales for the period and less than \$10 million.

d. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification and Parts I through VII.

e. Each corporate or other home office (as defined in CAS 403-30(a)(2)) that allocates costs to one or more disclosing segments performing CAS-covered contracts must complete the Cover Sheet, the Certification, Parts I and VIII of the disclosure statement. The home office that allocated applicable costs to segments may complete Parts V, VI and VII to be included in the Disclosure Statement submitted by its segments.

f. Contractors must follow the disclosure statement general instructions and the specific instructions for each applicable section and item number. The disclosure statement must be signed by an authorized signatory of the reporting unit. There are also internal consistencies within the disclosure statement that should be checked prior to submitting. For example, if item no. 1.4.0 is marked A or B, then item no. 2.2.1 or 2.2.2 should be marked A, and/or item no. 2.5.0 should be coded D in at least one column.

g. A foreign contractor must disclose in writing its cost accounting practices in accordance with the contract clause at 48 CFR 9903.201-4(f). A foreign contractor may, in lieu of filing Form CASB DS-1, use a form prescribed by its Government as long as the CASB has determined the form satisfies the CAS disclosure objectives (48 CFR 9903.202-1(e)). CASB has approved the use of alternative forms for contractors of:

(1) Canada,

(2) Federal Republic of Germany, and

(3) United Kingdom.

7. DCAA Audit Responsibility.

FAR 30.202-6, FAR 30.202-7, and FAR 30.601 outline the basic functions of the contract auditor in the implementation and administration of the CASB rules, regulations and standards. DCAA is responsible for making recommendations to the cognizant Federal agency official (CFAO). The CFAO is the CO assigned by the cognizant Federal agency to administer CAS. Within DoD, the CFAO is the cognizant administrative contracting officer (ACO). The auditor is responsible for conducting audits as necessary to ascertain that contractors are complying with CAS and FAR Part 31. Testing for compliance with FAR Part 31 and CAS is an inherent part of every contract audit. The auditor's recommendations to the CFAO include whether:

- a. A contractor's CAS disclosure statement adequately describes the actual, or proposed, cost accounting practices the contractor will use to estimate, accumulate, and report costs on Government contracts/subcontracts. The auditor's adequacy assessment will include steps to verify the described practices are:
 - (1) Current, i.e. the disclosed cost accounting practices are consistent with the practices the contractor uses, or intends to use, as described during the walk through;
 - (2) Accurate, i.e. the disclosed cost accounting practices are consistent with the policies and procedures provided during the walk through; and
 - (3) Complete, i.e. the contractor completed all items on the CASB Form DS-1 in accordance with the Item No. and General Instructions. Each disclosed cost accounting practice shall stand on its own with minimal explanation needed from the contractor.
- b. A contractor's disclosed and actual cost accounting practices to estimate, accumulate and report costs on Government contracts/subcontracts comply with the applicable requirements of FAR Part 31 and CAS.
- c. A contractor's actual practices of estimating, accumulating and reporting cost comply with the disclosed cost accounting practices.
- d. A contractor's changed cost accounting practice is adequately described and compliant with the applicable requirements of FAR Part 31 and CAS.
- e. A contractor's or subcontractor's failure to comply with applicable cost accounting standards or to follow consistently its disclosed or established cost accounting practices has resulted, or may result, in any increased cost paid by the Government.
- f. A contractor's cost impact proposal is adequate and reflects fair and reasonable contract price adjustments.

8. Adjustment of Contracts

CASB regulations provide for equitable adjustment of the price of existing contracts if a new standard, modification to an existing standard or an interpretation requires a change in a contractor's cost accounting practices. Equitable adjustment is also provided for changes that the CFAO finds to be desirable and not detrimental to the Government. Contract price adjustments also may be required to protect the Government from any increased costs caused by contractor-initiated unilateral accounting changes, contractor noncompliance with existing standards, or contractor failure to follow any cost accounting practice consistently.

a. FAR 30.603 - Changes to disclosed or established cost accounting practices.

(1) FAR 30.603-1 Required Changes – Change to established cost accounting practice that affect existing contracts or subcontracts that is required to remain compliant with CAS.

(2) FAR 30.603-2 Unilateral and desirable changes - The contractor may unilaterally change its disclosed or established cost accounting practices, but the Government shall not pay any increased cost.

b. Prior to making any contract price or cost adjustments under the applicable paragraph(s) addressing a unilateral change at 52.230-2, 52.230-3, or 52.230-5, the CFAO shall determine that—

(1) The contemplated contract price or cost adjustments will protect the Government from the payment of the estimated increased costs, in the aggregate; and

(2) The net effect of the contemplated adjustments will not result in the recovery of more than the increased costs to the Government, in the aggregate.

c. FAR Requirement for Submission of Cost Impact Proposal - FAR 52.230-6(c) requires that contractors submit cost impact proposals for:

(1) Required Accounting Practice Changes. (see 48 CFR 9903.201-6(a)).

(2) Unilateral Accounting Practice Changes. (see 48 CFR 9903.201-6(b))

d. The CAFO determines if a change is desirable and not detrimental to the Government.

e. Noncompliances arise when the contractor fails to comply with an applicable CAS or to consistently follow any disclosed or established cost accounting practice. FAR 52.230-2(a)(5), FAR 52.230-3(a)(4), and FAR 52.230-4 implement the statutory requirement that the Government shall not pay increased costs as a result of a CAS noncompliance. 48 CFR 9903.306 further explains the statutory requirements. The cost impact proposal must be submitted within 60 days (or other mutually agreed-upon date) after the proposed change is determined adequate and compliant, the date of the contractor's agreement with the initial finding of noncompliance, or the date the contractor is notified by the CFAO of a determination of noncompliance.

An integral part of the cost impact proposal is the list of CAS-covered contracts and subcontracts that are, or will be, affected by the change or noncompliance. To comply with the requirements of FAR 52.230-6, contractors should maintain a system for identifying accurately and completely all contracts and subcontracts subject to CAS.

ENCLOSURE 6CONTRACT FINANCING AND VOUCHERS1. Introduction.

a. Contract financing involves certain FAR specified arrangements for infusing money to a contractor as work progresses and in advance of payment for delivered end products or services. In most business settings, it is customary for the work to be performed and completed in a satisfactory manner prior to invoicing the customer. However, in Government contracting, the work may take several months or even years of effort before the service has been rendered or items delivered. Therefore, the Government often uses contract financing methods to help offset costs incurred by the contractor in its performance of the contract.

b. The Government's approach to satisfying contractor cash needs varies with the type of contract. Cost-type contracts provide for interim payments for costs vouchered on a Standard Form (SF) 1034 public voucher. Fixed-price contracts are subject to FAR Part 32 financing methods, the most common of which has been cost-based progress payments. Cost-based progress payments are requested on a SF 1443 progress payment request form. The contract will designate an address to which these forms are submitted (the billing address) and the distribution, number of copies, etc. Electronic submission of DoD cost vouchers and progress payments can be made through the Wide Area Workflow (WAWF) module of the Procurement Integrated Enterprise Environment (PIEE) website (<https://piee.eb.mil/>). Refer to Paragraph 4 of this Enclosure, Electronic Submission of Interim Vouchers, for the requirements for submitting electronic payment requests.

c. When the contract financing is cost-based, such as interim cost reimbursement (interim vouchers) or cost based progress payments, the billing system and the contract costs are subject to periodic audits by DCAA. When the costs are audited, DCAA will, at a minimum, verify that the costs billed have been incurred in performance of the contract, that they are in agreement with the accounting records, and that they are in accordance with the contract terms. Billed direct costs generally represent costs recorded at the time of the request for reimbursement paid by cash, check, or other form of payment for items or services purchased directly for the contract. Additionally, when the contractor is not delinquent in paying its bills, it may bill costs incurred, but not necessarily paid for supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments will be made in accordance with the terms and conditions of a subcontract or invoice; and ordinarily within 30 days of the submission of the Contractor's payment request to the Government. Accrued costs for contributions under employee pension plans shall be excluded until actually paid unless the contractor's practice is to make contributions to the retirement fund quarterly or more frequently; and the contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period. Billed indirect expenses are based on the application of CO (or cognizant Federal agency official) or auditor established Provisional Billing rates for the fiscal year. Refer to Paragraph 3 of this Enclosure, Provisional Billing Rates.

2. Cost-Type Public Voucher Preparation.

The contractor is responsible for preparing and submitting claims for reimbursement according to the terms of the contract, including any special billing or payment instructions, such as a requirement to bill by contract line item or accounting classification reference number.

3. Provisional Billing Rates.

a. FAR 42.704 states the CO (or cognizant Federal agency official) or auditor responsible for establishing the final indirect cost rates shall also be responsible for determining the billing rates. The Government allows interim payments, if authorized by the contract, during contract performance by progress payments for fixed-price contracts, or by public voucher for cost-type contracts. Reimbursement of indirect costs for these payments is generally made through billing rates that are established to approximately equal the expected final indirect cost rates for the contractor's fiscal period, as adjusted for any unallowable costs. These billing rates are used for interim reimbursement purposes until settlement is reached on final rates after the end of the contractor's fiscal year. Billing rates may be prospectively or retroactively revised by mutual agreement, at either the Government's or contractor's request, to prevent substantial overpayment or underpayment. Once the final rates are established, an adjustment is made for any variance between the billing and final rates.

b. Upon receipt of the certified final indirect cost rate proposal, FAR 42.704(e) provides that the Government and the contractor may mutually agree to revise billing rates to reflect the certified proposed indirect cost rates. The proposed indirect rates will be adjusted to reflect historically disallowed amounts from prior audits until the proposal has been audited and settled. The historical decrement will be determined by either the CO or the auditor responsible for determining final indirect cost rates. If the revised rates result in an overpayment, the contractor credits the Government for the difference by adjusting their next voucher, or remits payment to or otherwise credits the Government.

4. Electronic Submission of Interim Vouchers.

a. DFARS Clause 252.232-7003, Electronic Submission of Payment Requests and Receiving Reports, requires DoD contractors to submit payment requests electronically using WAWF unless one of the following exceptions allows for alternate methods:

(1) The Contractor has requested permission in writing to do so, and the Contracting Officer has provided instructions for a temporary alternative method of submission of payment requests and receiving reports in the contract administration data section of this contract or task or delivery order;

(2) DoD makes payment for commercial transportation services provided under a Government rate tender or a contract for transportation services using a DoD-approved electronic third party payment system or other exempted vendor payment/invoicing system (e.g., PowerTrack, Transportation Financial Management System, and Cargo and Billing System);

(3) DoD makes payment on a contract or task or delivery order for rendered health care

services using the TRICARE Encounter Data System; or

(4) The Governmentwide commercial purchase card is used as the method of payment, in which case submission of only the receiving report in WAWF is required.

b. For further information regarding electronic submission of payment requests contact the cognizant CO or access the Defense Finance and Accounting Service electronic commerce home page at <http://www.dfas.mil/dfas/contractorsvendors.html>.

c. Cost reimbursement type contracts provide that the contractor may submit periodic claims for reimbursement of costs and fee on Government public voucher forms SF 1034 "Public Voucher for Purchases and Services Other Than Personal," and SF 1035 "Public Voucher for Purchases and Services Other Than Personal (Continuation Sheet)" or their equivalent. For contractors utilizing WAWF) for the submission of interim payment requests on cost-type, T&M and labor hour contracts, the "Cost Voucher" is the equivalent of the SF 1034. Data equivalent to the SF 1035 should be included in a separate electronic file and attached to the cost voucher in WAWF. Guidance and training for completing a cost voucher invoice can be obtained from the WAWF website at <https://piectraining.eb.mil/wbt/>. As discussed in Paragraph 2 of this Enclosure, contractors should also ensure vouchers are prepared and submitted in accordance with the terms of the contract, including any special billing or payment instructions, such as a requirement to bill by contract line item or accounting classification reference number. SF 1034 and 1035 information will be periodically reviewed by COs and auditors as part of their continued oversight of contractors' billings including audits of billing systems, contractor preparation of interim vouchers, and status of Government contract funding.

5. Guidance for Preparing Interim Public Vouchers (SF 1034).

All DoD vouchers should be submitted through WAWF unless an exemption applies. The information required on interim public vouchers is provided in the various fields contained in WAWF when creating a voucher for electronic submission. If contract terms require hard copy vouchers, the contractor should use SF 1034 or equivalent to show the amount claimed for reimbursement. Contractor submittal of a public voucher through WAWF provides data equivalent to the SF 1034. Data equivalent to the SF 1035 should be included for hard copy vouchers or in a separate electronic file and attached to the cost voucher in WAWF. The information required on interim public vouchers is explained below. The lettered items correspond to entries on [Figure 7](#).

Table 2. Information Required on Interim Vouchers

Ref	Caption on the SF 1034	Data to be inserted in the block
(a)	U.S. Department, Bureau, or establishment and location.	Name and address of the contracting office which issued the contract.
(b)	Date voucher prepared	Date voucher submitted to the designated billing office cited under the contract or order.
(c)	Contract No. and date	Contract No. and, when applicable, the Order No. and date as shown on the award document.
(d)	Requisition No. and date	Leave blank or fill-in in accordance with the instructions in the contract.
(e)	Voucher No.	Start with "1" and number consecutively. A separate series of consecutive numbers must be used beginning with "1" for each contract number or order number (when applicable). Note: Insert the word "FINAL" if this is the last voucher.
(f)	Schedule No.; paid by; date invoice received; discount terms; payee's account No.; shipped from/to; weight; government B/L.	Leave all these blocks blank.
(g)	Payee's name and address	Name and address of contractor as it appears on the contract. If the contract is assigned to a bank, also show "CONTRACT ASSIGNED" below the name and address of the contractor.
(h)	Number and date of order	Leave blank. (See (c) above.)
(i)	Date of delivery or service	The period for which the incurred costs are being claimed (e.g., month and year; beginning and ending date of services, etc.).
(j)	Articles or services	Insert the following: "For detail, see the total amount of the claim transferred from the attached SF 1035, page X of X." One space below this line, insert the following: "COST REIMBURSABLE-PROVISIONAL PAYMENT."
(k)	Quantity; unit price; (cost; per)	Leave blank.
(l)	Amount	Insert the total amount claimed from the last page of the SF 1035.
Payee must NOT use the space below "TOTAL" Line		

Figure 7. Sample of SF 1034 Interim Voucher.

Standard Form 1034 Revised October 1987 Department of the Treasury 1 TFM 4-2000		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL				VOUCHER NUMBER (e) 10		
(a) U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION USA Rocky Mountain Arsenal Denver, CO 80240			DATE VOUCHER PREPARED (b) 5/15/2008		SCHEDULE NUMBER (f)			
			CONTRACT NUMBER AND DATE (c) DAAA05-07-C-0001 1/2/2007		PAID BY (f)			
			REQUISITION NUMBER AND DATE (d)					
PAYEE'S NAME AND ADDRESS (g) ABC Corp or National Bank of New York 100 Main Street if Assigned for ABC Corp New York, NY Assigned New York, NY					DATE INVOICE RECEIVED (f)			
					DISCOUNT TERMS (f)			
					PAYEE'S ACCOUNT NUMBER (f)			
SHIPPED FROM (f)			TO (f)		WEIGHT (f)		GOVERNMENT B/L NUMBER (f)	
NUMBER AND DATE OF ORDER (h)	DATE OF DELIVERY OR SERVICE (i)	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary) (j)		QUANTITY (f)	UNIT PRICE COST PER (f) (f)		AMOUNT (l) 5,372 (1) (f)	
	Period 04/01/2008 through 04/30/2008	For detail, see the total amount of the transferred from the attached SF 1035, page 1 of 1						
(Use continuation sheet(s) if necessary) (Payee must NOT use the space below) TOTAL								
PAYMENT: <input type="checkbox"/> PROVISIONAL <input type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL <input type="checkbox"/> PROGRESS <input type="checkbox"/> ADVANCE		APPROVED FOR BY 2 TITLE	EXCHANGE RATE -\$	-\$1.00	DIFFERENCES			
				Amount verified, correct for payment				
				(Signature or initials)				
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.								
(Date)		(Authorized Certifying Officer) 2			(Title)			
ACCOUNTING CLASSIFICATION								
P A I D B Y \$	CHECK NUMBER	ON ACCOUNT OF U.S. TREASURY		CHECK NUMBER	ON (Name of bank)			
	CASH	DATE		PAYEE 3				
1. When stated in foreign currency, insert name of currency. 2. If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided, over his official title. 3. When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary", or "Treasurer", as the case may be.						PER	TITLE	

Previous edition usable

PRIVACY ACT STATEMENT
The information requested on this form is required under the provisions of 51 U.S.C. 82b and 82c, for the purpose of disbursing Federal money. The information requested is to identify the particular creditor and the amounts to be paid. Failure to furnish this information will hinder discharge of the payment obligation.

6. Guidance for Preparing SF 1035.

The SFs 1035, "Public Voucher for Purchases and Services Other Than Personal Continuation Sheet," will be used for additional information required by the CO and/or the auditor. The SFs 1035 should be assembled separately in original, and copy sets and submitted with the SF 1034. Suitable self-designed forms may be submitted instead of the SF 1035, as long as they contain the information required by the CO and/or auditor. Contractors submitting public vouchers via WAWF should attach an electronic file containing SF 1035 equivalent data to their electronic voucher submission in WAWF. Depending on the type of cost contract (cost plus fixed fee, cost-sharing no fee, etc.) the information required on the SF 1035 may differ in format and content. Figures 7 and 8 represent examples of a SF 1035 for a cost-plus fixed fee and a cost-sharing no fee contract, respectively.

a. Interim Public Voucher – Cost Plus Fixed Fee Contract: The lettered items correspond to entries on [Figure 8](#).

Table 3. Information Required on SF 1035 for Cost Plus Fixed Fee Contracts.

Ref	Caption on the SF 1035	Data to be inserted in the block
(a)	U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT	Name and address of the contracting office which issued the contract.
(b)	VOUCHER NO.	The appropriate serial number of the voucher, as shown on the SF 1034.
(c)	SCHEDULE NO.	Leave blank.
(d)	SHEET NO.	The sheet number, in numerical sequence if more than one sheet is used. Use as many sheets as necessary to show the information required by the CO or the auditor.

The following items are generally entered below the line with Number and Date of Order; Date of Delivery or Service; Articles or Services; Quantity; Unit Price; and Amount, but do not necessarily tie to these captions. The items entered are what most COs and auditors require on the SF 1035. Discuss any SF 1035 requirements with the CO and local DCAA office to be sure that there are no unique local requirements that could impact preparation of the SF 1035.

Table 3. Information Required on SF 1035 for Cost Plus Fixed Fee Contracts, continued.

Ref	Data to be inserted in the block
(e)	Payee's name and address, as shown on SF 1034.
(f)	The contract number and the task order number, when applicable.
(g)	Target or estimated costs, target or fixed-fee, total contract value, and amount of fee payable. FAR 52.216-8(b) states that "...after payment of 85 percent of the fixed fee, the CO may withhold further payment of fee until a reserve is set aside in an amount that the CO considers necessary to protect the Government's interest. This reserve shall not exceed 15 percent of the total fixed fee or \$100,000, whichever is less."
(h)	Insert: "Analysis of Claimed Current and Cumulative Costs and Fee Earned."
(i)	The major cost elements. Use additional SF 1035s, if necessary, to show the detail of direct transportation charges and the computations of overhead adjustments from provisional rates to final audited rates (allowable actual rates). The provisional indirect rates used (overhead and general and administrative) to calculate the indirect expenses should be reflected on the SF 1035s.
(j)	The amount billed by the major cost elements, contract reserves and adjustments, and adjusted amounts claimed for the current period.
(k)	The cumulative amounts billed by the major cost elements, contract reserves, and adjusted amounts claimed to date of this billing.
(l)	The total costs for current and cumulative periods.
(m)	The target or fixed-fee earned and due for the current and cumulative periods, and the formula for the computation (percentage of costs, percentage of completion, etc.).
(n)	The total costs claimed and the target or fixed-fee due for the current and cumulative periods.

Table 3. Information Required on SF 1035 for Cost Plus Fixed Fee Contracts, continued.

(o)	The details of the contract reserves withheld in the current period and for the cumulative period. The contractor is responsible for reducing its claims for contract reserves. There may be several contract clauses that address the CO's authority to establish contract reserves and under what circumstances these reserves can be established. The CO will notify the contractor of any applicable reserves. This is not to be confused with the clause at FAR 52.216-8 that gives the CO authority to withhold 15 percent of the fee payable (refer to (g) above).
(p)	Show the status of all outstanding DCAA Forms 1, "Notice of Contract Costs Suspended and/or Disapproved." NOTE: This instruction will not be applicable to the majority of contractors. When not applicable, this item should be omitted. The DCAA Form 1 is the form used to effect suspension and disapproval of costs or fees claimed for payment on a contractor's reimbursement vouchers. In general, an item of cost, either direct or indirect, that lacks adequate explanation or documentary support for definitive audit approval or disapproval will be suspended until the required data are received and a determination can be made as to the allowability of the item. Costs for which audit action has been completed and are not considered allowable will be disapproved. When amounts on an outstanding DCAA Form 1 are resubmitted, they will be shown in the current period column, and the corresponding cumulative total of outstanding suspensions or disapprovals will be reduced to cover the resubmission so that the cumulative amounts will be "net."
(q)	Net reserves and adjustments.
(r)	Show the costs and fee subject to reimbursement for the current and cumulative periods.
(s)	Amount to be carried forward to the SF 1034.

Figure 8. Sample of SF1035 Interim Voucher.

Standard Form 1035 September 1973 4 Treasury FRM 2000 1035-110		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL			VOUCHER NO. (b) 10	
CONTINUATION SHEET					SCHEDULE NO. (c)	
					SHEET NO. (d)	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT (a) USA Rocky Mountain Arsenal, Denver, CO 80240						
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES <i>(Enter description, item number of contract or Federal Supply schedule, and other information deemed necessary)</i>	QUANTITY	UNIT PRICE		AMOUNT
				COST	PER	
(e) ABC Corporation 100 Main Street New York, NY		(f) Contract No. DAAA05-07-C- 0001	(g) Target/Estimated			Costs \$250,000
			(g) Target/Fixed Fee			15,000
			(g) Total			<u>\$265,000</u>
			(g) 85% of Fixed Fee			<u>12,750</u>
		(h) <u>Analysis of Claimed Current and Cumulative Costs and Fee Earned</u>	(j) Amount for Current Period Billed			(k) Cumulative Amount from Inception to Date of This Billing
(i) Major Cost Elements:						
Direct Materials			\$	700		\$ 25,000
Subcontracts (Cost & Redeterminable)				1,500		8,140
Interplant Charges				200		1,250
Special Tooling				200		3,750
Direct Transportation Costs				175		520
Direct Labor - (Manufacturing, Engineering, etc.)				650		60,000
Overhead				925		90,000
General & Administrative Expenses				435		18,860
(l) Total Costs				<u>\$4,785</u>		<u>\$207,520</u>
(m) Fixed Fee Earned (Total Costs x 6%)				<u>287</u>		<u>12,451</u>
(n) Total Amounts Claimed				<u>\$5,072</u>		<u>\$219,971</u>
<u>Contract Reserves and Adjustments:</u>						
(o) Contract Reserves Withheld			\$	(500)		\$(15,000)
						- (Identify)
(o) Contract Reserves Cleared				700		11,000
(p) DCAA Form 1 - Resubmittal (Voucher No.)				100		--
(p) DCAA Form 1 - Conceded by Contractor						(1,600)
(p) DCAA Form 1 - Outstanding Suspensions						(1,700)
(p) DCAA Form 1 - Disapprovals Subject to Appeal						(2,000)
(q) Net - Reserves and Adjustments				<u>\$ 300</u>		<u>\$(9,300)</u>
(r) <u>Adjusted Amounts Claimed:</u>						
Current and Cumulative Costs				\$5,085		\$198,220
Fixed Fee				<u>287</u>		<u>12,451</u>
Total			(s)	<u>\$5,372</u>		<u>\$210,671</u>

b. Interim Public Voucher – Cost-Sharing No Fee Contract: The following is an example of a SF 1035 for a cost-sharing no fee contract. This example ([Figure 9](#)) is separate and distinct from the preceding SF 1034 ([Figure 7](#)) and SF 1035 (Figure 8).

Table 4. Information Required on SF 1035 for Cost Sharing No-Fee Contracts.

Ref	SF 1035 Caption	Data to be inserted in the block
(a)	U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT	Name and address of the contracting office which issued the contract.
(b)	VOUCHER NO.	The appropriate serial number of the voucher as shown on the SF 1034.
(c)	SCHEDULE NO.	Leave blank.
(d)	SHEET NO.	The sheet number, in numerical sequence if more than one sheet is used. Use as many sheets as necessary to show the information required by the CO or the auditor.

The following items are generally entered below the line under Number and Date of Order; Date of Delivery or Service; Articles or Services; Quantity; Unit Price; and Amount, but do not necessarily tie to these captions. The items entered are what most auditors and COs require on the SF 1035. Discuss any SF 1035 requirements with the local DCAA office to be sure that there are no unique local requirements that could impact preparation of the SF 1035.

Table 4. Information Required on SF 1035 for Cost Sharing No-Fee Contracts, continued.

Ref	Data to be inserted in the block
(e)	Payee's name and address, as shown on SF 1034.
(f)	The contract number and the task order number, when applicable.
(g)	Total estimated costs, contractor's share of costs, Government's share of costs and one percent of Government share of costs. FAR 52.216-12(b) states that "After paying 80 percent of the Government's share of the total estimated cost of performance shown on the schedule, the CO may withhold further payment of allowable cost until a reserve is set aside in an amount that the CO considers necessary to protect the Government's interest. This reserve shall not exceed one percent of the total estimated cost shown in the schedule or \$100,000 whichever is less." Therefore, a contract reserve of one percent of incurred costs is normally withheld after 80 percent of the Government share of total estimated costs is paid.
(h)	Insert: " <u>Analysis of Claimed Current and Cumulative Costs and Fee Earned.</u> "
(i)	The major cost elements. Use additional SF 1035s, if necessary, to show the detail of direct travel charges and the computations of overhead adjustments from provisional rates to final audited rates (allowable actual rates). The provisional indirect rates used (overhead and general and administrative) to calculate the indirect expenses should be reflected on the SF 1035s.
(j)	The amount billed for the current period and cumulative amount from contract inception to date of this billing.
(k)	The Government's share of the amount billed for the current period and the Government's share of the cumulative amount billed from contract inception to the date of this billing.
(l)	The contractor's share of the amount billed for the current period and the contractor's share of the cumulative amount billed from contract inception to the date of this billing.
(m)	The total costs incurred, summarized by contract, by Government share, and by contractor share.
(n)	The one percent contract withholding required by FAR 52.216-12(b).
(o)	The total amount claimed by the contractor for the current period and the cumulative amount claimed from contract inception to the date of this billing. The current period amount is to be carried forward to the SF 1034.

Figure 9. Sample of SF 1035 Interim Voucher.

Standard Form 1035 September 1973 4 Treasury Form 2000 1035-110		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL CONTINUATION SHEET				VOUCHER NO. (b) 10 SCHEDULE NO. (c) SHEET NO. (d)	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT							
(a) US Army Material Command, Atlanta, GA 30080							
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES <i>(Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)</i>	QUANTITY	UNIT PRICE		AMOUNT	
				COST	PER		
(e) DEF Corporation 100 Any Street Baltimore, MD		(f) Contract No. DAAA09-96-C-0002		(g)	Estimated Costs	<u>\$250,000</u>	
				(g)	Contractor Share	<u>\$150,000</u>	
				(g)	Gov't Share	<u>\$100,000</u>	
				(g)	1% of Gov't Share	<u>\$ 1,000</u>	
(h) Analysis of Claimed Current and Cumulative Costs							
(i)	(j) Total		(k) Gov't Share (40%)		(l) DEF Corp. Share (60%)		
<u>Major Cost Elements</u>	Current Period Costs	Cumulative Costs From Inception to Date of This Billing	Amount Billed for Current Period Costs	Cumulative Amount From Inception to Date of This Billing	Amount Billed for Current Period Costs	Cumulative Amount From Inception to Date of This Billing	
Direct Material	\$6,000	\$30,000	\$2,400	\$12,000	\$3,600	\$18,000	
Subcontracts	\$2,500	\$15,000	\$1,000	\$6,000	\$1,500	\$9,000	
Interplant Charges	\$1,020	\$8,300	\$408	\$3,320	\$612	\$4,980	
Special Tooling	\$250	\$2,500	\$100	\$1,000	\$150	\$1,500	
Direct Travel Costs	\$210	\$1,000	\$84	\$400	\$126	\$600	
Direct Labor	\$12,000	\$60,000	\$4,800	\$24,000	\$7,200	\$36,000	
Overhead (150%)	\$18,000	\$90,000	\$7,200	\$36,000	\$10,800	\$54,000	
G & A Expenses (15%)	<u>\$5,997</u>	<u>\$31,020</u>	<u>\$2,399</u>	<u>\$12,408</u>	<u>\$3,598</u>	<u>\$18,612</u>	
(m) Total Costs	<u>\$45,977</u>	<u>\$237,820</u>	<u>\$18,391</u>	<u>\$95,128</u>	\$27,586	\$142,692	
(n) Contract Reserves and Adjustments					\$(276)	\$(1,000)	
(o) Total Amount Claimed					<u>\$27,310</u>	<u>\$141,692</u>	

PerFORM (DLA)

7. Completion Voucher.

a. The completion voucher (final voucher) is the last voucher submitted on a contract or task order. A separate completion voucher will be submitted for each individual project or task order for which a separate series of public vouchers has been submitted.

b. FAR 52.216-7(d)(5) requires the contractor to submit the completion voucher within 120 days after settlement of the final indirect cost rates covering the year in which the contract is physically complete, or longer if approved in writing by the CO. The completion voucher must include settled subcontract amounts and rates. The prime contractor is responsible for settling subcontractor amounts and rates included in the completion voucher and providing status of subcontractor audits to the CO upon request.

c. The SF 1034 that is submitted on the final voucher is identical to that for the interim voucher except for the following items (refer to Figure 10):

Table 5. Information Required on Final Vouchers (SF1034).

Ref	SF 1034 Caption	Data to be inserted in the block
(e)	VOUCHER NO.	Serial number of the voucher with the letter "Z" after it. Use a separate series of consecutive numbers beginning with 1 for each new contract or task order (when applicable) for which separate public vouchers are required.
(l)	ARTICLES OR SERVICES	Insert the following: "For detail, see SF 1035 -- total amount of claim transferred from page xx of xx SF 1035". [The "xx" represents the appropriate page numbers.] One space below this line insert "COST REIMBURSABLE -- COMPLETION VOUCHER"

d. Completion Voucher: The following is a sample SF 1035 for a completion invoice. Delays in processing completion invoices can be avoided if these instructions are followed. Note: The example of the SF 1035 (Figure 10) for the completion voucher is separate and distinct from the preceding SF 1034 (Figure 7) and SFs 1035 (Figure 8 and 9) examples.

Table 6. Information Required on Final Vouchers (SF1035).

Ref	SF 1034 Caption	Data to be inserted in the block
(a)	U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT	The name and address of the military department or agency that negotiated the contract.
(b)	VOUCHER NO.	The appropriate serial number of the voucher, as shown on SF 1034 (with the letter "Z" after it).
(c)	SCHEDULE NO.	Leave blank.
(d)	SHEET NO.	The sheet number, in numerical sequence, if more than one sheet is used. Use as many sheets as necessary to show the information required by the CO or the auditor.

The following items are generally entered below the line under Number and Date of Order; Date of Delivery or Service; Articles or Services; Quantity; Unit Price; and Amount, but do not necessarily tie to these captions.

Table 6. Information Required on Final Voucher (SF1035),
continued.

Ref	Data to be inserted in the block
(e)	Payee's name and address, as shown on the SF 1034.
(f)	The contract number and the task order number, when applicable.
(g)	The latest target or estimated costs, target or fixed-fee, and total contract value.
(h)	Type: "Contractor's Cumulative Claim and Reconciliation Statement."
(i)	The major cost elements. Use additional SF 1035s, if necessary, to show the detail of certain charges or computations. A separate column should be prepared for each of the contractor's fiscal years. The amounts shown for direct costs should always tie in to the costs shown on the submission prepared for audit. Any direct costs questioned during our audit of costs should be excluded from the applicable contractor's fiscal year. Fringe, overhead, and G&A should be computed using the rates as explained in reference (j). The total costs being billed cannot exceed the estimated cost of the contract. Unless the contract has been modified, cost overruns cannot be claimed. Any amount in excess of the contract value should be subtracted from the total.
(j)	The final audit determined or negotiated fringe, overhead, and G&A rates should be listed by contractor's fiscal year as shown. However, if the contract specifies ceiling rates, the rates shown cannot exceed the ceiling(s) in the contract.
(k)	The cumulative amounts billed, by the major cost elements, less previous payments.
(l)	The total costs claimed. This should not exceed the estimated contract costs.
(m)	Bill for any portion of the fee not previously billed. If the contract provides for an incentive fee, show the computations of the total fee claimed. Use separate sheets if necessary.
(n)	The total costs claimed and the target or fixed-fee due. This should not exceed the total contract amount.
(o)	The amount of total previous payments received on interim vouchers.
(p)	The amount due should be the amount that appears on the SF 1034.

Figure 10. Sample of SF 1035 Completion Voucher.

Standard Form 1035 September 1973 4 Treasury Form 2000 1035-110		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL				VOUCHER NO (b) 307	
						SCHEDULE NO (c)	
						SHEET NO (d)	
CONTINUATION SHEET							
U.S. DEPARTMENT OF BUREAU OF ESTABLISHMENTS (a) Navy Regional Medical Center, San Diego, CA							
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)		QUAN- TITY	UNIT PRICE		AMOUNT
					COST	PER	
(e) XYZ Corporation 200 Euclid St. Tampa, Florida 20005		(f) Contract No. N66818-91-C- 0091					
		(h) Contractor's Cumulative Claim Reconciliation Statement					(g) Target/Estimated Costs \$400,000
(j) Final Rates		FY 87	FY 88	FY 89			(g) Fixed Fee 36,000
Fringe Benefit Rate		10.93%	12.15%	13.33%			(g) Total \$436,000
Overhead Rate		112.99	92.30	92.12			(k) Total
G&A Rate		2.91	14.97	12.33			
(i) Major Cost Elements							
Salaries		\$115,572.17	\$ 16,068.11	\$3,033.44			\$134,673.72
Fringe Benefits		12,632.04	1,952.28	404.36			14,988.68
Total Direct Labor		\$128,204.21	\$ 18,020.39	\$3,437.80			\$149,662.40
Overhead		\$144,857.94	\$ 16,632.82	\$3,165.90			\$164,657.66
Material		2,242.16					2,242.16
Subcontract		62,351.00					62,351.00
Travel		4,193.94	297.76				4,491.70
Consultants		1,071.76					1,071.76
Other Direct Costs		770.10	8.34	9.00			787.44
Subtotal		\$343,691.11	\$ 34,959.31	\$6,613.70			\$385,264.12
G&A		10,001.41	5,233.41	815.47			16,050.29
Total Costs Incurred		\$353,692.52	\$ 40,192.72	\$7,429.17			\$401,314.41
Amount in Excess of Contract Amount							(1,314.41)
(l) Total Cost Claimed							\$400,000.00
(m) Fixed Fee							36,000.00
(n) Total							\$436,000.00
(o) Less Previous Payments							(433,871.23)
Amount Due						(p)	\$ 2,128.77

8. Submission Requirements.

a. General.

(1) Unless otherwise notified or specified differently in the contract (refer to Paragraph 4a of this Enclosure for electronic invoicing requirements), public vouchers must be submitted according to the following requirements.

(2) In WAWF, selected vouchers will be routed to DCAA for review and approval and once approved by DCAA are forwarded to DFAS for provisional payment. For hard copy vouchers, the SF 1034 and SF 1035 or equivalent should be submitted in accordance with the instructions in the contract. The instructions (usually included in Section G of the contract) will include the location where vouchers should be sent.

b. Completion Voucher.

(1) Upon completion of the contract, the contractor is required to submit a voucher designated as "completion voucher" together with such other documents as are prescribed by the contract. Approval and payment by the Government of the contractor's completion vouchers constitutes complete and final payment to the contractor, except for any items reserved by qualification of the contractor's Release of Claims. When a voucher is identified as the "Completion Voucher," the voucher should be submitted to the ACO. DFARS 242.803(b)(ii)(A) states that the ACO approves all completion/final vouchers and sends them to the dispersing officer. An additional copy should be submitted to the cognizant auditor. In iRAPT (formerly WAWF), when a contractor submits a completion voucher, it is routed directly to the ACO for action and a copy is placed in the DCAA "History" folder within iRAPT (formerly WAWF). Refer to Paragraph 4a of this Enclosure for electronic invoicing requirements.

(2) In addition to the SF 1034s and 1035s, the Contractor and, if applicable, each assignee whose assignment is in effect at the time of final payment shall execute and deliver the following before final payment under a contract:

- Contractor's release of claims, and, if applicable, an assignee's release of claims in a form acceptable to the CO. The amount listed on this release should be the total allowable cost-plus allowable fee. It should tie into the total amount claimed on the SF 1035.
- Contractor's assignment of refunds, rebates, credits, and other amounts and, if applicable, an assignee's assignment of refunds, rebates, credits, and other amounts in a form acceptable to the CO.

9. Requirements for Supporting Fee Claims.

Each SF 1035 (or contractor equivalent form) should include the basis of the claim for earned fee.

10. Resubmission of Costs.

Resubmissions of any previously claimed amounts that were suspended or disapproved by a DCAA Form 1 should be shown as a separate line item on public vouchers. Cite the number of the public voucher on which the deduction was made and the number of the DCAA Form 1. Suspensions and disapprovals that have been successfully appealed should be identified by citing the final decision of the ACO, the Board of Contract Appeals, or the Court of Federal Claims.

11. Maintenance of Reimbursement Claim Data.

Maintain adequate records to show, by major cost element and fee, the amounts claimed for reimbursement for each applicable contract or task order covered by a separate series of public vouchers. The records should contain, by fiscal year, a reconciliation of any differences between the costs incurred under the contract or task order and the amounts claimed for reimbursement. This information will be used to calculate the schedule of cumulative direct and indirect costs claimed and billed by contract and subcontract required as part of the final indirect cost rate proposal.

12. Withholding and Release of Contract Reserves.

Contractual provisions covering fees, patents, royalties, etc., usually provide for the accumulation of a withholding reserve until certain contract requirements are met to the CO's satisfaction (e.g., Patent Rights - Retention by the Contractor (Long Form), FAR 52.227-13). Include appropriate adjustments in reimbursement claims to cover the required accumulation and release of contract withholding reserves. Resolve any questions about these reserves with the ACO.

13. Progress Payments Based on Costs - General (FAR 32.5).

Progress payments are a method of financing undelivered and uninvoiced items applied only in fixed-price, noncommercial contracts. Progress payments shall be made to the contractor when requested as work progresses, but not more frequently than monthly. The amount of each progress payment is computed by (i) applying the rate stipulated in the progress payment clause of the contract (DFARS 252.232-7004) to the cumulative total allowable booked costs under the contract; (ii) plus financing payments to subcontractors or other company divisions of the contractor's corporate office; (iii) less the sum of all previous progress payments. The CO is responsible for approving progress payment requests.

14. Processing Progress Payments.

a. When the reliability of the contractor and the adequacy of the contractor's accounting system and controls have been established (FAR 32.503-3) the ACO may, in approving any particular progress payment request rely upon that accounting system and upon the contractor's certification, without requiring audit or review of the request before payment. However, post payment reviews (including audits when considered necessary) shall be made periodically, or when considered desirable by the ACO to determine the validity of progress payments already made and expected to be made. Contractors may include the following costs in progress payment

requests, under the conditions noted:

(1) Total costs incurred under the contract whether or not actually paid, plus financing payments to subcontractors.

(2) Financing and other payments for the costs of supplies and services purchased directly for the contract if the costs are (i) paid in accordance with the terms of the subcontract or invoice and (ii) ordinarily paid within 30 days of the contractor's payment request to the Government.

(3) Properly allocable and allowable indirect costs.

(4) Cost of Money that would be allowable under FAR 31.205-10 as an incurred cost for progress payment purposes (FAR 52.232-16(a)(1)).

b. Progress payments must be commensurate with the fair value of work accomplished in accordance with contract requirements. The CO must adjust progress payments when necessary to ensure that the fair value of undelivered work equals or exceeds the amount of unliquidated progress payments. To assist the CO in determining if adjustment is needed, the contractor shall furnish estimates to complete (ETC) (item 12.b. of SF 1443, Request for Progress Payment) that have been developed or updated within six months of the date of the progress payment request. The estimates to complete shall represent the contractor's best estimate of total costs to complete all remaining contract work required under the contract. The ETC should not simply be a mathematical computation between contract value and the cost incurred. The ETC should be supported with an analysis that shows how the amount was derived. The estimates shall include sufficient detail to permit Government verification.

c. The request for progress payments (SF 1443) is submitted to the office designated in the contract (usually the ACO) for approval. The instructions for preparing the SF 1443 are found on the back of the form (Figure 12). Refer to Figure 12 for an example of a completed form. Progress payment requests may be submitted electronically using the WAWF module of PIEE.

15. Treatment of Contract Overruns on Progress Payments.

If the sum of the total costs incurred under a contract plus the estimated costs to complete the performance are likely to exceed the contract price, a loss ratio factor shall be calculated. Costs eligible for progress payments may be discounted by a loss ratio factor, resulting in a smaller progress payment. The loss ratio adjustment is calculated using the procedure in FAR 32.503-6(g). The CO may request the contractor to prepare the supplementary analysis as an attachment to the progress payment request when the CO determines that the contractor's methods of estimating the "Costs to Complete" are reliable, accurate, and not susceptible to improper influences. To maintain an audit trail and permit verification of calculations, do not make the loss ratio adjustments by altering or replacing data on the contractor's original request for progress payment (SF 1443, Contractor's Request for Progress Payment, or computer-generated equivalent). (Refer to [Figure 12](#) for an example of this analysis. This example is separate and distinct from example [Figure 11](#)). For progress payment requests submitted electronically, WAWF has a Loss Ratio Tab that WAWF populates to calculate the loss ratio.

Figure 11. Sample Standard Form 1443.

CONTRACTOR'S REQUEST FOR PROGRESS PAYMENT										
IMPORTANT: This form is to be completed in accordance with instructions on reverse.										
SECTION I - IDENTIFICATION INFORMATION										
1. TO: Name and Address of Contracting Office DCMAO, Baltimore 200 Towsontown Blvd., West Towson, Maryland 21204-5299					2. FROM: Name and Address of Contractor (Including Zip Code) Advance Tank Technology 500 East highway Washington, DC 20001					
Paying Office DPSC-DCMA, PHILADELPHIA 2800 South 20 th Street Philadelphia, PA 19101-4178					3. Business Type YES NO		4. Contract No. DAAH01-07-C-0001		5. Contract Price \$5,000,000	
6. Rates			7. Date of Initial Award		8a. Progress Payment Request No.			8b. Date of This Request		
A. Prog Pymts		B. Liquidation	A. Year	B. Month						
8 5 %		8 5 %	2007	1	3			May 15, 2007		
SECTION II - STATEMENT OF COSTS UNDER THIS CONTRACT THROUGH April 30, 2007										
9. Paid costs eligible under progress payment clause									\$	
10. Incurred costs eligible under progress payment clause										2,293,500
11. Total costs eligible for progress payments (Item 9 plus 10)										2,293,500
12. a. Total costs incurred to date									\$	2,293,500
b. Estimated additional cost to complete										2,080,730
13. Item 11 multiplied by item 6a.										1,949,475
14. a. Progress payments paid to subcontractors									\$	
b. Liquidated progress payments to subcontractors										
c. Unliquidated progress payments to subcontractors (Item 14a less 14b)										
d. Subcontract progress billings approved for current payment										
e. Eligible subcontractor progress payments (Item 14c plus 14d)										
15. Total dollar amount (Item 13 plus 14e)										1,949,475
16. Item 5 multiplied by item 6b									\$	4,250,000
17. Lesser of item 15 or item 16										1,949,475
18. Total amount of previous progress payments requested										1,702,300
19. Maximum balance eligible for progress payments (Item 17 less 18)										247,175
SECTION III - COMPUTATION OF LIMITS FOR OUTSTANDING PROGRESS PAYMENT *see special instructions on back for use under the FAR										
20. Computation of progress payment clause (a(3)(i) or a(4)(i)) Limitation*									\$	1,732,060
a. Costs included in Item 11, applicable to items delivered, invoiced, and accepted to the data in heading of Section II.										
b. Costs eligible for progress payments, applicable to undelivered items and to delivered items not invoiced and accepted (Item 11 less 20a)										561,440
c. Item 20b multiplied by item 6a									\$	477,224
d. Eligible subcontractor progress payments (Item 14e)										
e. Limitation a(3)(i) or a(4)(i) (Item 20c plus 20d)*										477,224
21. Computation of progress payment clause (a(3)(ii) or a(4)(ii)) Limitation*									\$	2,053,580
a. Contract price of items delivered, accepted and invoiced to date in heading of Section II										
b. Contract price of items not delivered, accepted and invoiced (Item 5 less 20a)										2,946,420
c. Item 21b multiplied by Item 6b										2,504,457
d. Unliquidated advance payments plus accrued interest										
e. Limitation (a(3)(ii) or a(4)(ii)) (Item 21c plus 21d)*										2,504,457
22. Maximum unliquidated progress payments (Lesser of Item 20e or 21e)*										477,224
23. Total amount applied and to be applied to reduce progress payment									\$	1,662,180
24. Unliquidated progress payments (Item 18 less 23)*										40,120
25. Maximum permissible progress payments (Item 2 less 24)*										437,104
26. Amount of current invoice for progress payment (Lesser of Item 25 or 19)*										247,175
27. Amount approved by contracting officer										
CERTIFICATION										
I certify that the above statement (with attachments) has been prepared from the books and records of the above-named contractor in accordance with the contract and the instructions hereon, and to the best of my knowledge and belief, that it is correct, that all the costs of contract performance (except as herewith reported in writing) have been paid to the extent shown herein, or where not shown as paid have been paid or will be paid currently, by the contractor, when due, in the ordinary course of business, that the work reflected above has been performed, that the quantities and amounts involved are consistent with the requirements of the contract. That there are no encumbrances (except as reported in writing herewith, or on previous progress payment request No. _____) against the property acquired or produced for, and allocated or properly chargeable to the contract which would affect or impair the Government's title, that there has been no materially adverse change in the financial condition of the contractor since the submission of the most recent written information dated _____ by the contractor to the Government in connection with the contract, that to the extent of any contract provisions limiting progress payments pending first article approval, such provision has been complied with, and that after the making of the requested progress payment the unliquidated progress payments will not exceed the maximum unliquidated progress payments permitted by the contract.										
Name and Title of Contractor Representative signing this form					Signature					
Name and Title of contracting officer					Signature					

Figure 11. Sample Standard Form 1443, continued.

INSTRUCTIONS

Form Approved OMB
No. 9000-0010

GENERAL - All entries on this form must be typewritten - all dollar amounts must be shown in whole dollars, rounded up to the next whole dollar. All line item numbers not included in the instructions below are self-explanatory.

SECTION I - IDENTIFICATION INFORMATION. Complete Items 1 through 8c in accordance with the following instructions:

Item 1. TO - Enter the name and address of the cognizant Contract Administrator Office. **PAYING OFFICE** - Enter the designation of the paying office, as indicated in the contract.

Item 2 FROM - CONTRACTOR'S NAME AND ADDRESS/ZIP CODE - Enter the name and mailing address of the contractor. If applicable, the division of the company performing the contract should be entered immediately following the contractor's name.

Item 3. Enter an "X" in the appropriate block to indicate whether or not the contractor is a small business concern.

Item 5. Enter the total contract price, as amended. If the contract provides for escalation or price redetermination, enter the initial price until changed and not the ceiling price; if the contract is of the incentive type, enter the target or billing price, as amended until final pricing. For letter contracts, enter the maximum expenditure authorized by the contract, as amended.

Item 6A. PROGRESS PAYMENT RATES - Enter the 2-digit progress payment percentage rate shown in paragraph (a)(1) of the progress payment clause.

Item 6B. LIQUIDATION RATE - Enter the progress payment liquidation rate shown in paragraph (b) of the progress payment clause, using three digits - Example: show 80% as 800 - show 72.3% as 723.

Item 7. DATE OF INITIAL AWARD - Enter the last two digits of the calendar year. Use two digits to indicate the month. Example: show January 1982 as 82/01.

Item 8A. PROGRESS PAYMENT REQUEST NO. - Enter the number assigned to this request. All requests under a single contract must be numbered consecutively, beginning with 1. Each subsequent request under the same contract must continue in sequence, using the same series of numbers without omission.

Item 8B. Enter the date of the request.

SECTION II - GENERAL INSTRUCTIONS. DATE. In the space provided in the heading enter the date through which costs have been accumulated from inception for inclusion in this request. This date is applicable to item entries in Sections II and III.

Cost Basis. For all contracts with Small Business concerns, the base for progress payments is total costs incurred. For contracts with concerns other than Small Business, the progress payment base will be the total recorded paid costs, together with the incurred costs per the Computation of Amounts paragraph of the progress payment clause in FPR 1-30.510-1 (abr FAR 52.232-16, as appropriate). Total costs include all expenses paid and incurred, including applicable manufacturing and production expense, general and administrative expense for performance of contract, which are reasonable, allocable to the contract, consistent with sound and generally accepted accounting principles and practices, and which are not otherwise excluded by the contract.

Manufacturing and Production Expense. General and Administrative Expense. In connection with the first progress payment request on a contract, attach an explanation of the method, bases and period used in determining the amount of each of these two types of expenses. If the method, bases or periods used for computing these expenses differ in subsequent requests for progress payments under this contract, attach an explanation of such charges to the progress payment request involved.

Incurred Costs Involving Subcontractors for Contracts with Small Business Concerns. If the incurred costs eligible for progress payments under the contract include costs shown in invoices of subcontractors, suppliers and others, that portion of the costs computed on such invoices can only include costs for: (1) completed work to which the prime contractor has acquired title; (2) materials delivered to which the prime contractor has acquired title; (3) services rendered; and (4) costs billed under cost reimbursement or time and material subcontracts for work to which the prime contractor has acquired title.

SECTION II - SPECIFIC INSTRUCTIONS

Item 9. PAID COSTS ELIGIBLE UNDER PROGRESS PAYMENT CLAUSE - Line 9 will not be used for Small Business Contracts.

Item 9 shall include only those recorded costs which have resulted at time of request in payment made by cash, check, or other form of actual payment for items or services purchased directly for the contract. This includes items delivered, accepted and paid for, resulting in liquidation of subcontractor progress payments.

Costs to be shown in Item 9 are not to include advance payments, downpayments, deposits, all of which are not eligible for reimbursement; or progress payments made to subcontractors, suppliers or others, which are to be included in Item 14. See "Cost Basis" above.

Item 10. INCURRED COSTS ELIGIBLE UNDER PROGRESS PAYMENT CLAUSE - For all Small Business Contracts, Item 10 will show total costs incurred for the contract.

Costs to be shown in Item 10 are not to include advance payments, downpayments, deposits, or progress payments made to subcontractors, suppliers or others.

For large business contracts, costs to be shown in Item 10 shall include all costs incurred (see "Cost Basis" above) for: materials which have been issued from the stores inventory and placed into production process for use on the contract; for direct labor; for other direct in-house costs; and for properly allocated and allowable indirect costs as set forth under "Cost Basis" above.

Item 12a. Enter the total contract costs incurred to date; if the actual amount is not known, enter the best possible estimate. If an estimate is used, enter (E) after the amount.

Item 12b. Enter the estimated cost to complete the contract. The estimate may be the last estimate made, adjusted for costs incurred since the last estimate; however, estimates shall be made not less frequently than every six months.

Items 14a through 14e. Include only progress payments on subcontracts which conform to progress payment provisions of the prime contract.

Item 14a. Enter only progress payments actually paid.

Item 14b. Enter total progress payments recouped from subcontractors.

Item 14d. For Small Business prime contracts, include the amount of unpaid subcontract progress payment billings which have been approved by the contractor for the current payment in the ordinary course of business. For other contracts, enter "0" amount.

SECTION III - SPECIFIC INSTRUCTIONS. This Section must be completed only if the contractor has received advance payments against this contract, or if items have been delivered, invoiced and accepted as of the date indicated in the heading of Section II above. EXCEPTION: Item 27 must be filled in by the Contracting Officer.

Item 20a. Of the costs reported in Item 11, compute and enter only costs which are properly allocable to items delivered, invoiced and accepted to the applicable date. In order of preference, these costs are to be computed on the basis of one of the following: (a) The actual unit cost of items delivered, giving proper consideration to the deferment of the starting load costs or, (b) projected unit costs (based on experience costs plus the estimated cost to complete the contract), where the contractor maintains cost data which will clearly establish the reliability of such estimates.

Item 20d. Enter amount from 14e.

Item 21a. Enter the total billing price, as adjusted, of items delivered, accepted and invoiced to the applicable date.

Item 23. Enter total progress payments liquidated and those to be liquidated from billings submitted but not yet paid.

Item 25. Self-explanatory. (NOTE: If the entry in this item is a negative amount, there has been an overpayment which requires adjustment.)

Item 26. Self-explanatory, but if a lesser amount is requested, enter the lesser amount.

SPECIAL INSTRUCTIONS FOR USE UNDER FEDERAL ACQUISITION REGULATION (FAR)

Item 20 and 20a. Delete the references to a(3)(i) of the progress payment clause.

Items 21 and 21e. Delete the references to a(3)(ii) of the progress payment clause.

STANDARD FORM 1443 (10-82) BACK

Figure 12. Loss Ratio Factor Analysis.

XYZ Company Loss Ratio Factor Analysis		
Section I:		
Contract price	\$2,850,000	
Not-to-Exceed Amounts on Unpriced Modifications	150,000	
Revised Contract Price	\$3,000,000	
Section II:		
Total costs incurred to date	\$2,700,000	
Estimated additional costs to complete	900,000	
Total costs to complete	\$3,600,000	
Loss ratio factor- =	$\frac{\$3,000,000}{\$3,600,000}$	<u>83.3%</u>
Total costs eligible for progress payments	\$2,700,000	
Loss ratio factor	x 83.3%	
Recognized costs for progress payments	\$2,249,100	
Progress payment rate	x 80.0%	
Alternate amount to be used	\$1,799,280	
Section III:		
Factored costs of items delivered *	\$ 750,000	
Recognized costs applicable to undelivered items (\$2,249,100 - \$750,000)	\$1,499,100	
* This amount shall be the same as the contract price of the items delivered.		

b. The SF 1443 should not be adjusted for the loss ratio. Adjustments for the loss ratio are shown in the Loss Ratio Factor Analysis, which should be submitted with the SF 1443. In the Loss Ratio Factor Analysis the SF 1443 amounts are changed as follows:

- (1) Line 5 changes from \$2,850,000 to \$3,000,000
- (2) Line 11 changes from \$2,700,000 to \$2,249,100
- (3) Line 13 will be \$1,799,280
- (4) Line 20a will be \$750,000
- (5) Line 20b will be \$1,499,100

16. Performance-Based Payments.

Performance-based payments are a form of Government financing for fixed-price contracts when the CO finds them practical, and the contractor agrees to their use. They are not payments for accepted items. Since performance-based payments are contract financing payments, they are not subject to the interest-penalty provisions for prompt payment. Payments are to be submitted in a form and manner acceptable to the CO. The contractor may not submit requests for payment more frequently than monthly (FAR 52.232-32(b)). Performance-based payments may be made on the basis of:

- a. performance measured by objective, quantifiable methods;
- b. accomplishment of defined events; or
- c. other quantifiable measures of results.

17. Processing Performance-Based Payments.

a. The CO responsible for administering the contract is responsible for the review and approval of performance-based payments. Generally, the ACO is responsible for receiving, approving, and transmitting the performance-based payment request to the appropriate payment office. Each approval will specify the amount to be paid, the necessary contractual information, and the appropriate account. The CO cannot approve a payment until the specified event or performance criterion has been successfully accomplished.

b. The CO is responsible for determining what reviews are needed to protect the Government's interests. In determining the need for reviews, the CO will consider the contractor's experience, performance record, reliability, financial strength, and the adequacy of contractor controls over performance-based payments. The CO can request both pre-payment and post-payment reviews. The CO may reduce payment when the contractor fails to comply with a material requirement of the contract, fails to progress on the contract, is in an unsatisfactory financial condition, or is delinquent in payment of any subcontractor.

c. The contractor should maintain records and controls to adequately administer performance-based payments. This includes furnishing reports, certificates, financial statements, and other pertinent information requested by the CO to either administer the payment or to determine that an event or other criterion has been successfully accomplished. Contractors have no entitlement to performance-based payments during any time their records or controls are determined by the CO to be inadequate for administration of performance-based payments.

d. Auditors will provide assistance to COs as requested. Prepayment assistance may be sought in negotiating and structuring the contract financing template, which addresses topics such as a description of the event, the contract line items to which the event applies, a statement as to whether the event is severable or cumulative, funding information, the event's value, and the estimated dates when the events are expected to occur. Post-payment reviews may include verification of the accomplishment or incurred cost associated with the completion of a performance-based event or criterion. For a detailed discussion of performance-based payments, contractors should refer to FAR Subpart 32.10 – Performance-Based Payments and FAR 52.232-32 – Performance-Based Payments.

ENCLOSURE 7INCURRED COST PROPOSALS1. Introduction.

a. This enclosure covers the submission of incurred cost proposals (ICPs). These would include the direct and various indirect fringe, overhead, and G&A rates incurred by the contractor during its fiscal year. The incurred cost proposal includes the indirect cost pool and base costs used to calculate indirect cost rates, a summary of costs incurred by contract-by-contract type, supporting schedules, supplemental information and the Certificate of Final Indirect Costs.

b. Because of their size and the nature of their operations, some non-profit organizations are treated similarly to commercial concerns. Consequently, these non-profit organizations operate under the FAR cost principles applicable to commercial concerns rather than 2 CFR, Part 200 (formerly 2 CFR, Part 230), *Cost Principles for Non-Profit Organizations*. While these non-profit organizations use the FAR as their primary regulation for administration of contracts, they also use applicable Office of Management and Budget Circulars as guidelines for administering federal financial assistance (grants and agreements). A listing of non-profit organizations subject to the FAR Cost Principles is contained in 2 CFR, Part 200, Appendix VIII. The nonprofit organizations listed in Appendix VIII should follow the examples in this manual, as well as satisfying the audit and reporting requirements of the Uniform Guidance Single Audit found in 2 CFR, Part 200, Subpart F.

2. Contractor Proposal.

a. Contractors may have both DoD and non-DoD contracts. Audits of incurred costs applicable to non-DoD Federal agencies are performed by DCAA on a reimbursable basis and only upon request of the cognizant agency. Some agencies do not request audits from DCAA for various reasons, including funding considerations and the materiality of small dollar contracts. It is the contracting agency's responsibility to audit contract costs or otherwise close the contracts. DCAA is available to assist the contractor in coordinating with other agencies.

b. The Allowable Cost and Payment clause (FAR 52.216-7) requires that the contractor submit an adequate final indirect cost rate proposal to the CO (or CFAO) and auditor within the 6-month period following the expiration of each of its fiscal years. The receipt of an adequate proposal by the audit office starts the audit process. This proposal should include a signed "Certificate of Indirect Costs" in accordance with FAR 42.703-2. A copy of this certificate may be found at FAR 52.242-4. An adequate proposal should reduce the time required to perform the audit because numerous preliminary steps can be performed before the auditor arrives at the contractor location.

c. Failure to comply with the requirements under FAR 52.216-7 to provide an adequate proposal will result in a DCAA recommendation for the CO to make a unilateral determination

on the contractor's final indirect cost rates or contract costs. The DCAA auditor will send a 30-day overdue request letter to the contractor with a copy to the CO, but when the submission becomes six months overdue (one year after the end of the fiscal year) and no extension has been granted, the CO may unilaterally establish the rates. If historical information is available, DCAA will provide the CO a unilateral rate recommendation. The unilateral recommendation will be based on a decrement factor applied to indirect rates using relevant historical data.

d. The recommendation will apply to active contracts, as well as physically complete contracts for the overdue fiscal year. FAR 42.703-2(c)(1) and FAR 42.705(c)(1) provide the CO with the authority to unilaterally establish indirect cost rates or total contract costs.

3. Qualified ICPs and Timeliness Requirements for Incurred Cost Audits.

a. Under Section 803 of the FY 2018 NDAA (10 U.S.C. §3842), Congress enacted timeliness requirements related to the receipt of a qualified ICPs and the performance of incurred cost audits for Department of Defense (DoD) contracts. A "qualified" ICP is defined as a "submission by a contractor of costs incurred under a flexibly-priced contract that has been qualified by the Department of Defense as sufficient to conduct an incurred cost audit." A "qualified" ICP is equivalent to an "adequate" ICP, as required by the Allowable Cost and Payment clause at FAR 52.216-7.

b. DCAA is required to notify the contractor within 60 days of receipt whether or not the ICP is qualified (adequate).

c. Audit findings are issued (audit report) for an incurred cost audit no later than one year after receipt of a qualified ICP, unless a waiver is requested by the DCAA Director and granted by the Under Secretary of Defense (Comptroller).

d. 10 U.S.C. §3842 also mandates the use of qualified Independent Public Accounting (IPA) firms to complete incurred cost audits. Based on established DCAA Policies and procedures, certain selected incurred cost proposals may be audited by qualified IPA firms.

4. Contractor Submission Portal (CSP).

a. The Contractor Submission Portal (CSP) provides a single repository for contractors to electronically submit their ICPs. The CSP is located within the Procurement Integrated Enterprise Environment (PIEE). The use of the CSP is not mandatory but highly encouraged as it allows for the transfer of large ICPs, provides formal notification validating that the ICPs was received by the appropriate DCAA FAO, and provides a simple process for updating or withdrawing a proposal.

b. Additional information and detailed instructions can be found on the DCAA public website (www.dcaa.mil, Customers/Checklist & Tools/Contractor Submission Portal).

5. Penalties for Mischarging.

a. The manipulation of charges to a contract may be subject to criminal penalties under 18 U.S.C. §1001, which reads as follows:

[W]hoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully (1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact; (2) makes any materially false, fictitious, or fraudulent statement or representation; or (3) makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry; shall be fined under this title, imprisoned not more than five years ... or both.

b. Penalties may be assessed against contractors who include expressly unallowable costs or costs previously determined to be unallowable for that contractor in a final indirect cost rate proposal pursuant to 10 U.S.C. 2324 (a) through (d) and 41 U.S.C. §256 (a) through (d). Implementing guidance for these statutes is provided in FAR 42.709.

c. DCAA has published an updated listing of FAR 31 and DFARS 231 cost principles that meet the definition of expressly unallowable costs along with guidance for determining whether a cost principle identifies expressly unallowable costs. The updated guidance can be found in DCAA Contract Audit Manual, Appendix A (Contract Cost Principles and Procedures) available through the DCAA public website.

6. Adequacy and Audit Evaluation.

a. After receipt of a final indirect cost rate proposal, the auditor will evaluate the adequacy of the proposal using the DCAA's Incurred Cost Submission Adequacy Checklist. The checklist is designed to assess both segment and intermediate or corporate home office incurred cost proposals. The adequacy assessment is based on the Allowable Cost and Payment Clause requirements for Final Indirect Cost Rates (FAR 52.216-7(d)(2)(iii)). If the proposal is inadequate (e.g., missing the information listed in section 12 of this manual), the auditor will notify the contractor and CO in writing of the deficiency as required by FAR 42.705-1(b)(1)(iii)(A). If the auditor and contractor are unable to resolve the proposal inadequacies identified by the auditor, the auditor will elevate the issue to the contracting office to resolve the inadequacies.

b. Once a proposal is determined to be adequate, DCAA will assess if the proposal will be audited or settled without audit using DCAA's Risk Based Sampling Framework. If DoD is the CFAO for establishing indirect rates the submission will be considered for risk-based sampling. Some non-DoD customers also participate in risk-based sampling. Audits will be performed of proposals with non-DoD CFAOs who do not participate in risk-based sampling. Other incurred cost proposals will be assessed for risk and classified as high, medium, or low risk. Incurred cost proposals exceeding \$1 billion in auditable dollar volume are considered high risk and will be audited. Adequate incurred cost proposals determined to be high-risk will be audited every year if \$1 billion or more in auditable dollar volume. High-risk adequate incurred cost proposals less

than \$1 billion and medium- and low-risk adequate incurred cost proposals will be selected for audit using sampling parameters. Final indirect costs rates will be determined in accordance with FAR 42.705. See para. g for additional details.

c. An audit will include an evaluation of both direct and indirect costs. The audit objective is to examine contractor cost representations identified in the incurred cost proposal to determine whether such costs are reasonable, allowable, and allocable to the contract(s); in accordance with contract terms and applicable laws and regulations pertaining to accumulating and billing incurred amounts. The auditor may have performed certain analyses and tests of the books and records and internal controls during the fiscal year the costs were actually being incurred. Real-time testing supplements the audit work performed after receipt of the proposal. During the course of the audit of the incurred cost proposal, the auditor will discuss audit findings with the contractor as they arise. The contractor is expected to provide feedback on these findings on a timely basis. Continued coordination between the contractor and the auditor will ensure the timely resolution of audit findings and facilitate an efficient and effective audit process.

d. Currently DCAA does not use multi-year auditing for incurred cost audits. However, the contractor may submit a written request for a multi-year audit to the Under Secretary of Defense (Comptroller) including justification for the use of multi-year auditing. The contractor should coordinate with its cognizant DCAA FAO to ensure the request is properly documented. DCAA has established a dedicated email address, dcaa.belvoir.hq.mbx.multi-year-audits@mail.mil to facilitate these requests.

e. The criteria for the allowability of costs on government contracts is discussed in FAR 31.201-2. In accordance with FAR 31.201-2(d), “[a] contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements.”

f. After completing the audit, the auditor will provide the contractor with the results of the audit in writing and seek the contractor’s written response (agreement or basis for disagreement). Since significant audit findings have been discussed during the audit process, this exit conference should merely be a summary of issues and resolutions. The contractor will be given the opportunity to respond to the audit findings and any contractor comments will be included in the final report.

g. FAR 42.705 discusses the conditions that determine whether the final indirect cost rates will be negotiated, or auditor determined. If the rates are auditor determined, once agreement is reached on the indirect rates, the contractor will be asked to sign an audit-furnished indirect rate agreement. Either a Cumulative Allowable Cost Worksheet (CACWS) or the final indirect cost rate proposal Schedule H (Schedule of Direct Costs by Contract and Subcontract and Indirect Expense Applied at Claimed Rates) and Schedule I (Schedule of Cumulative Direct and Indirect Costs Claimed and Billed by Contract and Subcontract) will be included as an attachment to the rate agreement letter. Signing the rate agreement letter also indicates concurrence with cumulative costs and other information (e.g., contract limitations) shown on the attachment(s) that will be used to close out contracts. If agreement with the contractor is not reached, DCAA

will forward its audit report to the cognizant CO who will then resolve the disagreement. The auditor will also issue a DCAA Form 1 to recover any reimbursement of unallowable costs that has occurred. The contractor may appeal the Form 1 disallowance to the CO or file a claim under the contract "Disputes" clause (FAR 52.233-1). If rates are to be negotiated by the CO, the audit report which includes the contractor response or risk-based sampling memo (if determined to be low risk using risk-based sampling) will be forwarded to the CO for action.

h. After the issuance of the audit report, in accordance with FAR 42.705, the DCAA audit team may be requested by the CO to provide negotiation assistance such as fact finding and analysis of contractor information.

7. Contract Costs.

a. Costs must be accumulated by contract in the same level used for billing costs (e.g., by delivery order, etc.) in order to determine their allowability per Government regulations. All costs (both direct and indirect) of producing goods or providing services should be identified to a final cost objective. FAR 31.001 defines a final cost objective as a cost objective that has allocated to it both direct and indirect costs and, in the contractor's accumulation system, is one of the final accumulation points. Generally, a final cost objective is a contract or delivery order. Accordingly, costs of a contract or delivery order are comprised of direct costs and the contract's allocable share of indirect costs.

b. A major part of accounting for costs by contract is the classification of costs as either direct costs or indirect costs.

8. Direct Costs.

a. FAR 2.101 defines direct costs as "any cost that can be identified specifically with a particular final cost objective" (i.e., cost incurred for a specific contract or delivery order). FAR 31.202 also supplements this broad definition as follows:

(1) Costs identified specifically with a contract are direct costs of the contract and are to be charged directly to the contract.

(2) All costs specifically identified with other final cost objectives of the contractor are direct costs of those cost objectives.

(3) No final cost objectives shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose in like circumstances have been included in any indirect cost pool to be allocated to that or any other final cost objective.

b. Contractors should make every effort to identify all costs that are direct, and by default, what remains is indirect.

9. Responsibility of Prime Contractors Over Subcontracts.

a. A prime contractor should obtain consent to subcontract from the CO and notify the CO reasonably in advance of placing any subcontract or modification thereof for which consent is required in accordance with FAR 44.201.

b. The responsibility of the prime contractor for managing its subcontracts is stated in FAR 42.202(e)(2). The prime contractor is primarily responsible for subcontract award, technical and financial performance monitoring, ensuring that indirect rate proposals and annual rate adjustments are submitted on a timely basis, and payment to the subcontractor for the work accomplished under subcontract terms. To accomplish this responsibility, the prime contractor should have adequate internal controls to identify and notify the Government of auditable type subcontracts and intracompany orders under auditable type Government contracts to assure that subcontract/intracompany costs are allowable, allocable, and reasonable.

c. The prime contractor's internal control system over subcontracts and intracompany orders should also provide for including appropriate flow down clauses into the subcontract/intracompany order, such as clauses that:

(1) provide either the Government or the contractor access to the subcontractor's/intracompany books and records for the purposes of performing the annual incurred cost audit,

(2) require that billings include only allowable costs pursuant to FAR 52.216-7, and

(3) require the subcontractor/intracompany entity to submit annual incurred cost proposals pursuant to FAR 42.7.

10. Indirect Costs.

a. FAR 2.101 defines an indirect cost as “any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. It is not subject to treatment as a direct cost.” Further, an indirect cost shall not be allocated to a final cost objective if other costs incurred for the same purpose in like circumstances have been included as a direct cost of that or any other final cost objective.

b. Because of their nature, indirect costs cannot be charged to final cost objectives on an individual basis. Therefore, indirect costs must be classified and grouped together into indirect cost pools, typically either an overhead cost pool or the G&A cost pool. The pools in turn are allocated to final cost objectives in reasonable proportion to the beneficial or causal relationship of the pooled costs to the cost objectives.

c. FAR 31.203(e) states: “The method of allocating indirect costs may require revision when there is a significant change in the nature of the business, the extent of subcontracting, fixed-asset improvement programs, inventories, the volume of sales and production, manufacturing processes, the contractor’s products, or other relevant circumstances.” Contractors should continually evaluate their allocation pools and bases to determine if change is required.

Contractors should notify the CO and the cognizant DCAA auditor of planned changes prior to implementation.

11. Overhead Costs.

a. Costs incurred for, or that only benefit, an identifiable unit or activity of the contractor internal organization, such as an engineering or manufacturing department, are considered overhead costs. The number of overhead pools depends on the organization's needs. It is common to have separate overhead pools for engineering, manufacturing, material handling, and for certain off-site activities. A very small contractor could have only one overhead pool.

b. Examples of overhead pool costs are:

- (1) Department supervision
- (2) Depreciation of department buildings and equipment
- (3) Training of department employees
- (4) Fringe benefits of department employees

c. Overhead rates are developed by dividing the overhead pool costs by the selected allocation base (e.g., direct labor dollars or direct labor hours).

d. To "allocate" means to distribute overhead pool costs to contracts. In order to distribute overhead pool costs, the contractor should select an allocation base. There should be a beneficial or causal relationship between the selected allocation base and the pool of costs to be allocated to contracts. For example, an engineering overhead pool would logically be allocated over total engineering direct labor dollars or engineering direct labor hours. Additional information regarding the allocation of indirect costs to contracts can be found at FAR 31.203, Indirect Costs. For contracts subject to full CAS coverage, allocation of indirect costs shall be based on the applicable CAS provisions.

12. G&A Expenses.

a. G&A expenses represent the cost of activities that are necessary to the overall operation of the business as a whole, but for which a direct relationship to any particular cost objective cannot be shown. G&A includes the top management functions for executive control and direction over all personnel, departments, facilities, and activities of the contractor. Typically, it includes human resources, accounting, finance, public relations, contract administration, legal, and an expense allocation from the corporate home office.

b. The G&A rate is developed by dividing total general and administrative expenses by the selected allocation base, e.g., total cost input (i.e., total direct and indirect costs, except G&A), value added cost input (i.e., total cost input except G&A, material and subcontract costs), or single element cost input (e.g., direct labor dollars, direct labor hours, direct materials costs).

13. Facilities Capital Cost of Money (FAR 31.205-10).

a. Facilities Capital Cost of Money (FCCM) (cost of capital committed to facilities) is an imputed cost determined by applying a cost of money rate to facilities capital employed in contract performance. It is allowable whether or not the contract is otherwise subject to CAS (reference 48 CFR Chapter 99) if:

(1) the contractor's capital investment is measured, assigned, and allocated to contracts in accordance with CAS 414 or measured and added to the cost of capital assets under construction in accordance with CAS 417. If the contract is not subject to CAS, FAR 31.205-10 requires COM to be calculated in accordance with CAS 414 and 417.

(2) the estimated facilities capital cost of money was specifically identified or proposed in cost proposals relating to the contract under which this cost is to be claimed; and

(3) the requirements of FAR 31.205-52, which limit the allowability of facilities capital cost of money, are followed.

b. The facilities capital cost of money need not be entered on the contractor's books of account. However, the contractor should maintain, in a manner that permits audit and verification, all relevant schedules, cost data, and other data necessary to fully support the proposed and claimed facilities capital cost of money. The contractor is responsible for proposing facilities capital cost of money factors using the Form CASB-CMF (48 CFR 9904.4114-63).

c. There is no requirement for a contractor to propose facilities capital cost of money in pricing and performing a contract. If it chooses not to propose this cost during contract pricing, then the contractor waives any right to claim it during contract performance. (See FAR 15.408(i) and FAR 52.215-17 for more information.)

14. Model Incurred Cost Proposal.

a. DCAA created a Model Incurred Cost Proposal to assist a contractor in meeting its requirement for submitting an adequate final indirect cost rate proposal as required by FAR 52.216-7(d). The Model Incurred Cost Proposal is available to download in electronic form on the DCAA website (<https://www.dcaa.mil/Checklists-Tools/ICE-Model/>) and is included in this Manual as Figure 15. The model includes the schedules listed in Figure 13 entitled "Model Incurred Cost Proposal Schedules." These example schedules present the minimum information needed to begin an audit. If a contractor generates internal formal reports that identify the needed information, these internal reports can be submitted in lieu of the example schedules. However, the basic data contained in the schedules is required to complete the audit in a timely manner. The downloadable files also include a demo model (file "ICE_Demo (2.0.1g).xlsm") which is an example of a completed Model Incurred Cost Proposal.

b. An adequate indirect cost rate proposal shall include all data required by FAR 52.216-7(d)(2)(iii) unless otherwise specified by the cognizant Federal agency official. The required content of the proposal and the supporting data will vary depending upon the size of the firm, complexity of the accounting system, and type of business.

c. This model incurred cost proposal illustrates an occupancy rate, a single final overhead rate, and a G&A rate. Some operations may have additional rates, such as: fringe benefits rate, engineering overhead rate, manufacturing overhead rate, off-site rate, etc. A separate schedule should be prepared for each final or intermediate indirect expense pool. The schedules should include claimed expenses by element of cost as identified in accounting records (Chart of Accounts).

d. Contractors are encouraged to submit their proposals in electronic format. The use of the Contractor Submission Portal is highly recommended. The Incurred Cost Electronically (ICE) Model, available from the DCAA website (<http://www.dcaa.mil>, under Checklists and Tools), provides contractors with a standard electronic user-friendly incurred cost submission package that will assist them in preparing adequate incurred cost proposals in accordance with FAR 52.216-7(d). Downloading and execution instructions are provided on the website. The ICE Model is updated periodically, so contractors electing to use it should check the website periodically for changes. While the ICE model is intended to aid the contractor in providing an adequate submission, its use does not guarantee that the submission will be judged adequate.

e. DCAA prefers that contractors include an index, similar to that used in the model incurred cost proposal, for each year submitted. If certain schedules are not applicable, the contractor should make a note on the index. At the time of submission of incurred cost proposal, the contractor should provide their General Ledger detail and copies of quarterly 941's to facilitate review of submission and audit.

f. In addition to the data presented in the schedules, there is additional information that the auditor typically needs to facilitate timely completion of the audit in accordance with generally accepted government auditing standards. A list of this information is presented on Figure 14 entitled "Supplemental Model Incurred Cost Proposal Information." Having this information available at or prior to the entrance conference will make the audit process as efficient as possible.

15. Post Final Indirect Rate Settlement Actions.

a. In accordance with FAR 52.216-7(d)(2)(v), the contractor shall update the billings on all contracts to reflect the final settled rates (see Enclosure 5) and update the schedule of cumulative direct and indirect costs claimed and billed, as required in paragraph FAR 52.216-7(d)(2)(iii)(I), within sixty days after settlement of final indirect cost rates.

Figure 13. Model Incurred Cost Proposal.

MODEL INCURRED COST PROPOSAL SCHEDULES	
Schedule A	Summary of all Claimed Indirect Expense Rates
Schedule B	General and Administrative (G&A) Expenses (Final Indirect Cost Pool)
Schedule C	Overhead Expenses (Final Indirect Cost Pool)
Schedule D	Occupancy Expenses (Intermediate Indirect Cost Pool)
Schedule E	Claimed Allocation Bases by element of cost used to distribute indirect costs.
Schedule F	Facilities Capital Cost of Money Factors Computation
Schedule G	Reconciliation of Books of Account and Claimed Direct Costs by major cost element
Schedule H	Schedule of Direct Costs by Contract/Subcontract and Indirect Expense Applied At Claimed Rates, as well as a subsidiary schedule of Government participation percentage in each of the allocation base amounts
Schedule I	Schedule of Cumulative Direct and Indirect Costs Claimed and Billed by Contract and Subcontract
Schedule J	Subcontract Information
Schedule K	Summary of each time-and-materials and labor-hours contract, including labor categories, labor rates, hours, and amounts; direct materials; other direct costs; and indirect expenses applied at claimed rates.
Schedule L	Reconciliation of Total Payroll per IRS Form 941 to Total Labor costs Distribution
Schedule M	Listing of Decisions/Agreements/Approvals and Description of Accounting/Organizational Changes
Schedule N	Certificate of Final Indirect Costs
Schedule O	Contract Closing Information for Contracts Completed in this Fiscal Year (include contract number, period of performance, contract ceiling amounts, contract fee computations, level of effort, and indicate if the contract is ready to close).

Figure 14. Supplemental Incurred Cost Proposal Information.

SUPPLEMENTAL INCURRED COST PROPOSAL INFORMATION	
A.	Comparative analysis of indirect expense pools detailed by account with prior fiscal year and budgetary data
B.	General organization and executive compensation information (see attached form)
C.	Identification of prime contracts under which the contractor performs as a subcontractor.
D.	Description of accounting system
E.	Procedures for identifying and excluding unallowable costs from the costs claimed and billed.
F.	Certified financial statements and other financial data.
G.	Management letter from outside Certified Public Accountants (CPA)s concerning any internal control weaknesses.
H.	Actions that have been and/or will be implemented to correct the weaknesses described in the management letter
I.	List of all internal audit reports issued since the last disclosure of internal audit reports to the Government.
J.	Annual internal audit plan of scheduled audits to be performed in the fiscal year when the final indirect cost rate submission is made.
K.	Federal and State income tax returns.
L.	Securities and Exchange Commission 10-K annual report.
M.	Minutes from board of directors meetings.
N.	Listing of delay claims and termination claims submitted which contain costs relating to the subject fiscal year.
O.	Contract briefings, which generally include a synopsis of all pertinent contract provisions, such as: Contract type, contract amount, product or service(s) to be provided, contract performance period, rate ceilings, advance approval requirements, pre-contract cost allowability limitations, and billing limitations.

Figure 15. ICE Incurred Cost Proposal.

[ICE MANUAL](#)

Flow Chart Showing Linkages Between and Among the Various Worksheets

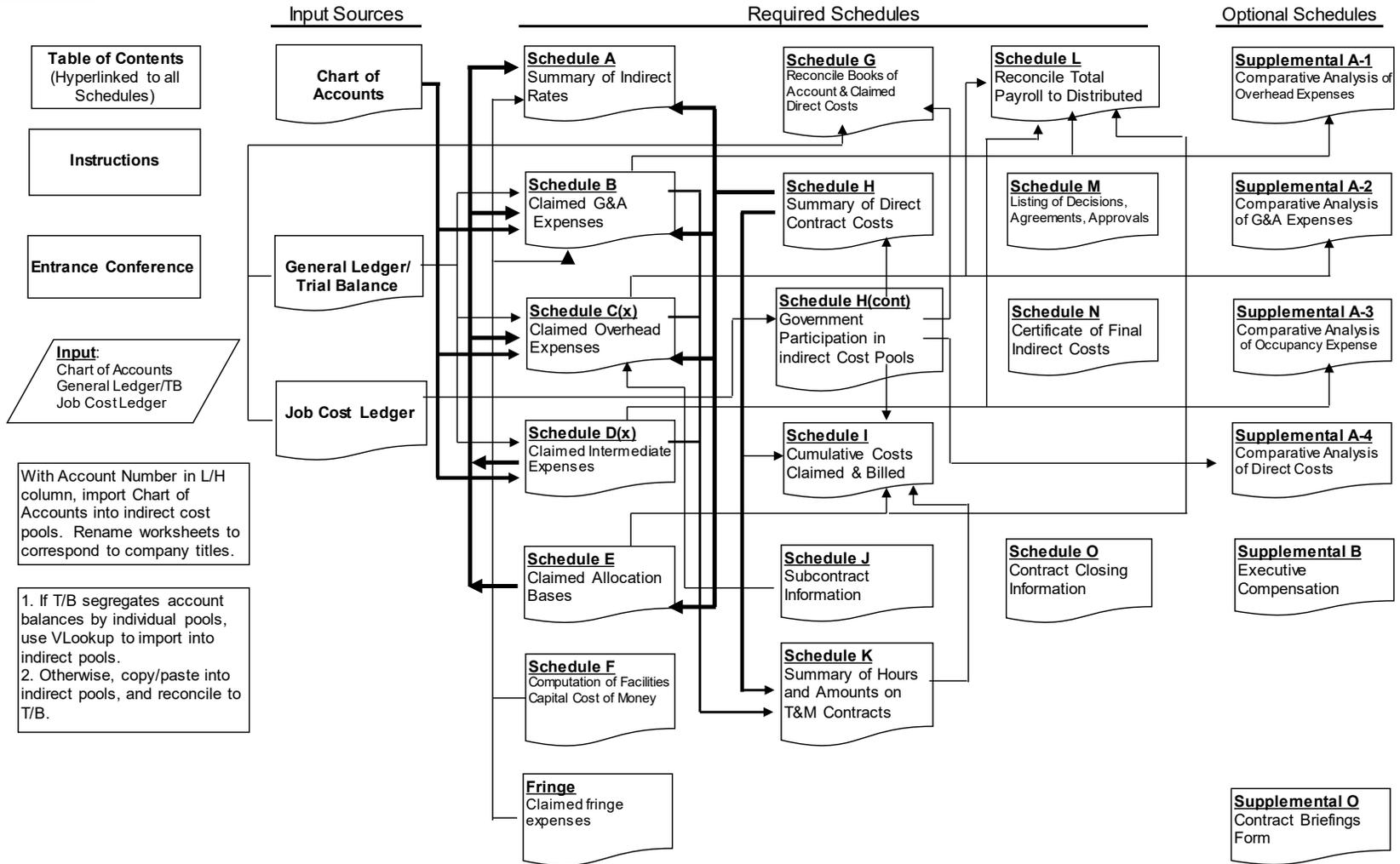


Figure 15. ICE Incurred Cost Proposal, continued.

Schedule A is linked to the following schedules:		XYZ Corporation Anywhere, USA		SCHEDULE A ICE (version 2.0.1h)
Schedule C, Overhead				
Schedule B, G&A				
Schedule D, Occupancy				
Schedule F, Cost of Money				
Schedule E, Bases				
Summary of all Claimed Indirect Rates				
Fiscal Year End - 3/31/2009				
<u>COST ELEMENT</u>	<u>CLAIMED</u>	<u>REFERENCE</u>		
Overhead				
POOL	510,610	SCHED C (1)		
BASE	656,824	SCHED E		
O/H RATE	77.74%			
General and Administrative (G&A) Expenses				
POOL	271,023	SCHED B		
BASE	3,151,320	SCHED E		
G& A RATE	8.60%			
Occupancy				
POOL	178,083			
BASE - (i.e. Sq. Ft.)	18,492	SCHED D (1)		
OCCUPANCY RATE	9.6303			
Cost of Money Overhead				
COM FOR PERIOD	10,237	SCHED F		
ALLOCATION BASE	656,824	SCHED E		
O/H COM FACTOR	0.01559			
Cost of Money G&A				
COM FOR PERIOD	2,101	SCHED F		
ALLOCATION BASE	3,151,320	SCHED E		
G&A COM FACTOR	0.00067			
Imported from Other Worksheet				
Cell Contains a Formula				

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule C is linked to the following schedules:
Schedule D(x)

SCHEDULE C (1)
ICE (version 2.0.1h)

		XYZ Corporation Anywhere, USA							
		Overhead Expenses (final indirect cost pool)							
		Overhead							
		Fiscal Year End - 3/31/2009							
ACCOUNT NUMBER	DESCRIPTION	Acct Balances			TOTAL PER G/L	& TRIAL BAL/FS ADJUSTMENTS	CLAIMED	Notes	Ref.
		Fab	Assy	Mfg					
7001	Salaries & Wages	13,885	13,224	5,951	33,060		33,060		
7002	Postage & Handling	2,619	2,494	1,122	6,235		6,235		
7003	Office Supplies	2,714	2,584	1,163	6,461		6,461		
7004	Small Equipment	369	351	158	878		878		
7005	Temp Help	763	726	327	1,816		1,816		
7006	Other Outside Services	12,718	12,112	5,451	30,281		30,281		
7007	Relocation	511	486	219	1,216	(777)	439	1	
7008	Business Meals	1,135	1,081	486	2,702		2,702		
7009	Telephone	19,132	18,221	8,199	45,552		45,552		
7010	Tecopier	1,022	974	438	2,434		2,434		
7011	Equipment Rental	11,403	10,860	4,887	27,150		27,150		
7012	Recruitment	120	114	51	285		285		
7013	Dues/Memberships	587	545	980	2,112	(500)	1,612	2	
7014	Insurance	310	295	133	738		738		
7015	Depreciation/Amortization	1,186	1,130	508	2,824		2,824		
7016	Repairs/Maintenance	706	672	303	1,681		1,681		
8421	Holiday	8,476	8,072	3,633	20,181		20,181		
8422	Vacation	10,685	10,176	4,579	25,440		25,440		
8423	Sick Leave	6,014	5,727	2,577	14,318		14,318		
8425	Severance Pay	13,616	12,968	5,835	32,419	(23,023)	9,396	3	
8427	Employer FICA	9,917	9,445	4,250	23,612		23,612		
8429	FUI	508	484	218	1,210		1,210		
8430	SUI	2,441	2,325	1,046	5,812		5,812		
8431	Workers' Compensation	1,391	1,324	596	3,311		3,311		
8435	Health Insurance	13,061	12,439	5,597	31,097		31,097		
8440	Life Insurance	2,870	2,733	1,230	6,833		6,833		
8445	Pension Plan	24,494	23,328	10,498	58,320	(8,612)	49,708	4	
8450	Miscellaneous	257	245	110	612		612		
					-		-		
					-		-		
	Subtotal	162,910	155,135	70,545	388,590	(32,912)	355,678		
	Occupancy	80,557	46,428	27,947	154,932	-	154,932		
	Total Overhead Pool				543,522	(32,912)	510,610		

Sched D (1)

Explanatory Notes:

1. Moving expenses in excess of those allowed by FAR 31.205-35.
2. Membership Fees and Tennis Dues for one individual - not allowable per FAR 31.205-14
3. Severance pay in excess of allowable costs per FAR 31.205-6.
4. Employer contributions to pension plan in excess of that approved and considered allowable by the ACO.

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule E is linked to the following schedules:

- Summary Sched H
- Sched H, Contract Costs
- Schedule C(x), Overhead
- Schedule B, G&A

XYZ Corporation
Anywhere, USA

SCHEDULE E
ICE (version 2.0.1h)

Claimed Allocation Bases by element of cost used to distribute indirect costs
Fiscal Year End - 3/31/2009

Overhead	PER G/L, F/S & TRIAL BAL/FS	PER G/L ADJUSTMENTS	CLAIMED	Notes	Ref.
Overhead Pool	\$ 543,522	\$ (32,912)	\$ 510,610		Sched C (I)
Overhead Base:					
Total Contract Labor	\$ 633,012		\$ 633,012		Summary Sched H
IR&D Labor	14,287		14,287	1	"
B&P Labor	9,525		9,525	1	"
Total Overhead Base	\$ 656,824	\$ -	\$ 656,824		
Overhead Rate	82.75%		77.74%		

Overhead Base* - Straight time direct labor dollars of all contracts and projects including labor costs of IR&D/B&P projects.

G&A Pool	PER G/L, F/S & TRIAL BAL/FS	PER G/L ADJUSTMENTS	CLAIMED	Notes	Ref.
	\$ 280,502	\$ (9,479)	\$ 271,023		Sched B

G & A Base:

Contract Labor			\$ 633,012		Summary Sched H
Contract Travel			34,563		"
Contract Material			842,981		"
Other Direct Costs			172,105		"
Subcontracts			944,841		"
Subtotal = DIRECT COSTS			\$ 2,627,502		
General Ledger Overhead (before adjustments)			543,522	2	Sched C (x)
Less: IR&D/B&P O/H transferred to G & A pool					
IR &D O/H (at G/L rate)			(11,822)	3	SCHED B
B&P O/H (at G/L rate)			(7,882)	3	"
Other Misc Adjustments to G&A Base (provide detailed support)			-		
G&A Base - Total Cost Input (excludes IR&D/B&P and COM)			\$ 3,151,320	4	
G&A Rate			8.60%		

* NOTE: Describe in detail the cost elements in the allocation bases that are used to distribute indirect costs.

NOTE: BASES MAY ALSO BE INCLUDED ON OVERHEAD (SCHEDULE C) AND G&A (SCHEDULE B)

Explanatory Notes:

- (1) The IR &D and B&P labor is included in the overhead base in order to allocate a proportionate share of overhead to the labor as required by FAR 31.205-18.
- (2) The claimed G & A base must include both the Schedule C claimed overhead (\$510,610) plus overhead costs incurred but not claimed (\$32,912).
- (3) Overhead on the IR&D/B&P labor at the General Ledger rate of 82.75% is used instead of 77.74% because the unallowable portion from overhead pool (543,522) must also be deducted from the G & A base. The G&A base does not include G&A unallowable.
- (4) In summary, the total cost input base consists of contract direct costs plus overhead (claimed and unclaimed) less overhead on IR&D/B&P transferred to the G & A pool. The base does not include IR&D direct costs which are usually recovered through the G&A pool.

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule F is linked to the following schedules:
 Schedule F-1, Net Book value of Assets
 Summary Schedule H, Contract Costs
 Schedule E, Bases

XYZ Corporation
Anywhere, USA

SCHEDULE F
ICE (version 2.0.1h)

[ICE MANUAL](#)

FACILITIES CAPITAL
COST OF MONEY FACTORS COMPUTATION

Fiscal Year End - 3/31/2009

Computing COM Rate:			
	Treasury Rate	Mos.	COM Rate
Apr - Jun 08	4.750%	3.00	1.188%
Jul - Dec 08	5.125%	6.00	2.563%
Jan - Mar 09	5.625%	3.00	1.406%
			5.157%

Months percentage added for demonstration purposes - adjust as needed

		NBV		Bases			
		Sched F-1		Sched E			
Company 1	1. Applicable Cost of Money Rate	2. Accumulation & Distribution of NBV	3. Allocation of Undistributed	4. Total Net Book Value	5. COM for Cost Accounting Period	6. Allocation Base For Period	7. Facilities Capital COM Factors
Cost Accounting Period 20xx	Recorded	(Basis Of Allocation)	(Column 2+3)	(Column 1*4)	In units of measure	(Column 5/6)	
Business Unit	Leased Property	69,761					
	Corporate/Group	162,290					
Facilities Capital	Total	232,051					
	Undistributed	193,290					
	Distributed	38,761					
Overhead Pools	Cost of Money Overhead	30,345	168,162	198,507	10,237	656,824	0.01559
	Unused	-	-	-	-	-	0.00000
	Unused	-	-	-	-	-	0.00000
	Unused	-	-	-	-	-	0.00000
	Unused	-	-	-	-	-	0.00000
	Unused	-	-	-	-	-	0.00000
	<i>LESS: COM on IR&D/B&P Labor:</i>						
	Cost of Money Overhead				(371)	(23,812)	0.01559
	Unused				-	-	0.00000
	Unused				-	-	0.00000
	Unused				-	-	0.00000
	Unused				-	-	0.00000
	Unused				-	-	0.00000
	Subtotal				9,866		
G&A	G & A	8,416	25,128	33,544	1,730		
Expense Pools	ADD: COM on IR&D/B&P Labor				371		
	Subtotal:				2,101	3,151,320	0.00067
TOTAL		38,761	193,290	232,051	11,967		

Note 1 Allocation Bases (Refer to Schedule E for details)

Overhead COM: Straight time direct labor dollars of all contracts and projects including labor costs of IR&D/B&P projects.

G&A COM: Total cost input (excluding G&A, B&P, and Cost of Money)

NOTE: The interest rates to be used are those determined by the Secretary of the Treasury under Public Law 92-41, 85 Status 97.

The rate is published semiannually in the Federal Register. Your Proposal should use the applicable Treasury Rates in effect during your fiscal year.

Figure 15. ICE Incurred Cost Proposal, continued.

This Schedule does not contain any links from other schedules; however, if used, it is linked to Schedule F
[ICE MANUAL](#)

SCHEDULE F-1
 (OPTIONAL)
 ICE (version 2.0.1h)

XYZ Corporation
Anywhere, USA

CALCULATION OF AVG. NET BOOK VALUES
Fiscal Year End - 3/31/2009

CALC OF ASSETS	manual entry FYE 2008	Note 1 FYE 2009	AVG.	Distributed (Note 2)		TOTAL DISTR.	TOTAL UNDISTR.	Alloc. of Undistributed (Note 3)		RECORDED	LEASED	Difference (should be 0)
				O/H	G&A			87% O/H	13% G&A			
LAND & BLDGS	157,000	167,580	162,290	2,000	1,000	3,000	159,290	138,582	20,708		162,290	-
COMPUTERS	24,000	35,000	29,500	10,500	2,000	12,500	17,000	14,790	2,210	29,500		-
PROP & EQUIP	19,000	17,661	18,331	2,331	1,000	3,331	15,000	13,050	1,950	18,331		-
VEHICLES	9,660	8,200	8,930	6,430	1,500	7,930	1,000	870	130	8,930		-
OFFICE EQUIP	14,000	12,000	13,000	9,084	2,916	12,000	1,000	870	130	13,000		-
TOTAL	223,660	240,441	232,051	30,345	8,416	38,761	193,290	168,162	25,128	69,761	162,290	-

ASSET NBV:

FY 20xx	Cost	Less Deprec	Net
LAND & BLDGS	182,580	(15,000)	167,580
COMPUTERS	42,000	(7,000)	35,000
PROP & EQUIP	22,000	(4,339)	17,661
VEHICLES	12,000	(3,800)	8,200
OFFICE EQUIP	15,000	(3,000)	12,000
			240,441

Sample Explanatory Notes: (Please provide notes to explain costs claimed or processes used for final proposal and delete the word "Sample.")

1. Allocation of asset values for tangible property between overhead and G&A is based on actual asset usage by Overhead and G&A departments.
2. Allocation of asset values for real property is based on square footage of areas assigned to the aggregate of Overhead and G&A departments.

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule G is linked to the following schedule:

Summary Schedule H

[ICE MANUAL](#)

SCHEDULE G

ICE (version 2.0.1h)

**XYZ Corporation
Anywhere, USA**

**Reconciliation of Books of Account and Claimed Direct Costs by
major cost element**

Fiscal Year End - 3/31/2009

<u>ACCT</u>	<u>DESCRIPTION*</u>	<u>AMOUNT</u>		<u>AMOUNT</u>
		<u>PER GENERAL</u>	<u>ADJUSTMENTS</u>	
		<u>LEDGER*</u>		
	Direct Labor	656,824		656,824
	Travel	35,173	(1,687)	33,486
	Material	843,192		843,192
	Other Direct Cost	187,493	(3,183)	184,310
	Subcontracts	944,841		944,841
	TOTAL DIRECT COSTS	2,667,523	(4,870)	2,662,653

<u>Notes</u>	<u>Ref.</u>
	Summary Sched H
1	"
2	"
	"

* Includes IR&D/B&P direct costs

(1) Travel - Costs of first class airfare in excess of coach on Contract No. N00039-90-C-0873 unallowable per FAR 31.2

(2) Other Direct Cost - Overtime premium not allowable by terms of Contract No. N00039-90-C-0873

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule G-1 is linked to the following schedule:
 Schedule G, Reconciled to GL

**SCHEDULE G-1
 (OPTIONAL)
 ICE (version 2.0.1h)**

[ICE MANUAL](#)

**XYZ Corporation
 Anywhere, USA**

**RECONCILIATION OF CLAIMED DIRECT
 COSTS TO JOB COST LEDGER**

Fiscal Year End - 3/31/2009

RECHECK FORMULAS AND LINKS AFTER COMPLETING SCHEDULE

<u>Cost Element</u>	<u>Per General Ledger</u>	<u>Per Job Cost Ledger</u>	<u>Difference</u>	<u>Notes</u>	<u>Reference</u>
Direct Labor	656,824	656,824	-		Sched G
Travel	35,173	33,486	1,687	1	
Materials	843,192	843,192	-		
Other Direct Cost	187,493	184,310	3,183	2	
Subcontracts	944,841	944,841	-		
Total Direct	2,667,523	2,662,653	4,870		

Explanatory Notes: (Please provide notes to explain costs claimed or processes used for final proposal)

- (1) Travel - Costs of first class airfare in excess of coach on Contract No. N00039-90-C-0873 unallowable per FAR 31.2
- (2) Other Direct Cost - Overtime premium not allowable by terms of Contract No. N00039-90-C-0873

Figure 15. ICE Incurred Cost Proposal, continued.

Summary Schedule H is linked from the following schedules:

Schedule H, Contract Costs
 Schedule E, Indirect Rates

XYZ Corporation
Anywhere, USA

SUMMARY SCHEDULE H
ICE (version 2.0.1h)

[ICE MANUAL](#)

Summary Schedule H of Direct Contract/Subcontract/IR&D/B&P Costs

Fiscal Year End - 3/31/2009

DIRECT COST ELEMENTS	O/H	CONTRACT	IR&D/B&P	GRAND	Ref.	Notes
		TOTAL	TOTAL	TOTAL		
Direct Contract Labor	633,012	633,012	23,812	656,824	Sched H	
Direct Material	- - - - -	842,981	211	843,192		
Travel	- - - - -	34,563	610	35,173		
Other Direct Costs (ODC)	- - - - -	172,105	15,388	187,493		
Subcontracts	- - - - -	944,841	-	944,841		
TOT. DIR. CONTRACT COSTS	- - - - -	2,627,502	40,021	2,667,523		

IR&D AND B&P COSTS

IR&D Labor	14,287	14,287	Sched H	
B&P Labor	9,525	9,525		
Subtotal IR&D/B&P Labor	23,812	23,812		
IR&D Labor Overhead (NOTE 1)	11,107	11,107	Sched H	1
B&P Labor Overhead (NOTE 1)	7,405	7,405		1
IR&D Material		126		
IR&D Subcontract		-		
B&P Material		85		
B&P Subcontract		-		
IR&D Material Overhead (NOTE 1)		-		1
B&P Material Overhead (NOTE 1)		-		1
IR&D Other Costs		9,598	Sched H	2
B&P Other Costs		6,400		2
TOTAL IR&D/B&P		58,533		

TOTAL DIRECT LABOR

Total Direct Contract Labor	633,012	
Total IR&D/B&P Labor	23,812	see total above
TOTAL DIRECT/IR&D/B&P LABOR	656,824	to Schedules G and L

RECHECK FORMULAS AND LINKS AFTER COMPLETING SCHEDULE

NOTE 1: APPLICATION OF CLAIMED OVERHEAD RATE ON IR&D/B&P ON THIS SCHEDULE FOR COSTS ACTUALLY CLAIMED ON CONTRACTS WHEREAS ON SCHEDULE E, THE G/L OVERHEAD RATE IS APPLIED.

Note 2: Travel and ODC

PREPARATION NOTES: (PLEASE DELETE BEFORE SUBMITTING PROPOSAL)

- Hidden rows have been inserted that will allow for automatic adjustment of the column totals when additional rows are inserted
- Overhead on the IR&D/B&P labor and/or material) at the General Ledger rate is added to the G&A pool.

Explanatory Notes: (Please provide notes to explain costs claimed or processes used for final proposal)

- Immaterial rounding differences- Schedule A claimed rates times Sched H base costs
- Total costs of \$x,xxx,xxx does not include unallowable overhead. TCI base with unallowable costs=
- Claimed G&A rate computed based on unallowables in TCI base. Claimed G&A rate includes IR&D/B&P

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule H is linked to the following schedules:
 Schedule A - Applied Overhead, G&A, & COM Rates
 Summary Schedule H
 Schedule H-1 Govt Participation
[ICE MANUAL](#)

SCHEDULE H
 ICE (version 2.0.1h)

XYZ Corporation
Anywhere, USA

Schedule of Direct Costs by Contract/Subcontract
 and Indirect Expense Applied at Claimed Rates
 Fiscal Year End - 3/31/2009

JOB ORDER	Prime CONTRACT NUMBER	SUBCONTRACT NUMBER	Labor O/H	Total Labor	Travel	Material	ODC	Sub-Contracts	Total Direct Costs	(Note 4)	Direct Costs Plus O/H	G&A Base (TCI)	(Note 4)	Total Costs	(Note 4)		Total COM	Grand Total	
										Sched A Claimed O/H			Sched A Claimed G & A		Sched A O/H	Sched A G & A			
A. COST TYPE (no entry on title line)																			
1201	N00039-90-C-0873																		
	Claimed		122,113	122,113	5,231	115,068	43,630	87,912	373,954	94,931	468,885	468,885	40,324	509,209	1,904	314	2,218	511,427	
	Not Claimed (note 1)				1,687		3,183		4,870		4,870	4,870	419	5,289		3	3	5,292	
1203	N00040-90-C-0874		16,387	16,387	836	312	1,212	15,341	34,088	12,739	46,827	46,827	4,027	50,854	255	31	286	51,140	
1204		Subcontract-Clark Inc.	8,973	8,973	87	9,687	632	7,888	27,267	6,976	34,243	34,243	2,945	37,188	(Note 2)	(Note 2)		37,188	
A. TOTAL COST TYPE:			147,473	147,473	7,841	125,067	48,657	111,141	440,179	114,646	554,825	554,825	47,715	602,540	2,159	348	2,507	605,047	
B. OTHER FLEXIBLY PRICED (Note 3)																			
1205	N00060-90-C-0913		210,312	210,312	8,932	38,643	59,613	89,732	407,232	163,497	570,729	570,729	49,083	619,812	3,279	382	3,661	623,473	
B. TOTAL OTHER FLEXIBLY PRICED			210,312	210,312	8,932	38,643	59,613	89,732	407,232	163,497	570,729	570,729	49,083	619,812	3,279	382	3,661	623,473	
C. TIME & MAT'L																			
1301	N00022-96-D-0111																		
	Task Order No. 1		5,300	5,300	382	1,000			6,682	4,120	10,802	10,802	929	11,731	83	7	90	11,821	
	Task Order No. 2		2,882	2,882	421	500			3,803	2,240	6,043	6,043	520	6,563	45	4	49	6,612	
1305	F66777-97-D-0112																		
	Task Order No. 1		2,911	2,911	171	750			3,832	2,263	6,095	6,095	524	6,619	45	4	49	6,668	
C. TOTAL TIME & MAT'L			11,093	11,093	974	2,250	-	-	14,317	8,623	22,940	22,940	1,973	24,913	173	15	188	25,101	
D. FIXED PRICE																			
			99,819	99,819	5,338	16,724	12,914	147,318	282,113	77,599	359,712	359,712	30,935	390,647	1,556	241	1,797	392,444	
D. TOTAL FIXED PRICE			99,819	99,819	5,338	16,724	12,914	147,318	282,113	77,599	359,712	359,712	30,935	390,647	1,556	241	1,797	392,444	
E. COMMERCIAL WORK																			
			164,315	164,315	11,478	660,297	50,921	596,650	1,483,661	127,738	1,611,399	1,611,399	138,580	1,749,979	-	-	-	1,749,979	
E. TOTAL COMMERCIAL WORK			164,315	164,315	11,478	660,297	50,921	596,650	1,483,661	127,738	1,611,399	1,611,399	138,580	1,749,979	-	-	-	1,749,979	
TOTAL CONTRACT COSTS			633,012	633,012	34,563	842,981	172,105	944,841	2,627,502	492,103	3,119,605	3,119,605	268,286	3,387,891	7,167	986	8,153	3,396,044	
	IR & D		14,287	14,287	366	126	9,232		24,011	11,107	35,118								
	B& P		9,525	9,525	244	85	6,156		16,010	7,405	23,415								
TOTAL IR & D/B & P			23,812	23,812	610	211	15,388		40,021	18,512	58,533								
GRAND TOTAL			656,824	656,824	35,173	843,192	187,493	944,841	2,667,523	510,615									

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule H-1 is linked to the following schedules:

[Schedule H, Contract Costs](#)

[ICE MANUAL](#)

Schedule H-1

ICE (version 2.0.1h)

XYZ Corporation
Anywhere, USA
Subsidiary Schedule of
Government Participation Percentages
Fiscal Year End - 3/31/2009

RECHECK FORMULAS AND LINKS AFTER COMPLETING SCHEDULE

<u>Contract Type</u>	<u>Overhead</u>		<u>G&A</u>		<u>Ref.</u>
	<u>Base Amount</u>	<u>%</u>	<u>Base Amount</u>	<u>%</u>	
Cost-Type	147,473	22.5%	554,825	17.8%	SCHED H
Flexibly Priced	210,312	32.0%	570,729	18.3%	"
T&M	11,093	1.7%	22,940	0.7%	"
Fixed Price	99,819	15.2%	359,712	11.5%	"
Commercial	164,315	25.0%	1,611,399	51.7%	"
IR&D/B&P	23,812	3.6%	-	0.0%	"
Total	656,824	100.0%	3,119,605	100.0%	

Note: The purpose of this schedule is to present a general overview of the extent that cost-type and flexibly priced contracts participate in the absorption of indirect expenses

For users of this model incurred cost proposal, the schedule should reflect the circumstances at your operation. For example, if you use more than one overhead pool, there should be a separate calculation of government participation for each overhead pool.

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule I is linked to the following schedules:
[Schedule H, Contract Costs](#)
[Schedule K, T&M](#)
[ICE MANUAL](#)

XYZ Corporation
 Anywhere, USA

Schedule of Cumulative Direct and Indirect Costs Claimed and Billed
 by Contract and Subcontract
 Fiscal Year End - 3/31/2009

SCHEDULE I
 ICE (version 2.0.1h)

Contract No.	Subcontract No.	Order No.	Subject To Penalty Clause Note (2)	Prior Years Settled Total Costs Note (3)	Unsettled/Claimed Direct And Indirect Costs Using Claimed		Total Cumulative Settled or Claimed	Less Contract Limitations Rebates/Cred Note (5)	Net Cumulative Settled or Claimed Note (6)	PV No.	Cumulative Cost Billed (Manual Entry)		Over (Under) Billing	Physically Complete (Note 7)
					Prior Year Costs FYE Note (4)	Current Year Costs FYE Note (4)					Date Cost Billed Through	Amount		
SCHED H														
Cost Type & Flexibly Priced: (note 1)														
N00039-90-C-0873		1201	Yes		126,821	511,427	638,248		638,248	18	2/28/2009	640,110	1,862	
N00040-90-C-0874		1203	Yes	382,595	2,867,500	51,140	3,301,235		3,301,235	30	3/31/2009	3,295,110	(6,125)	
	Subcontract-Clark Inc.	1204		359,626	555,311	37,188	952,125		952,125	24	1/31/2009	960,100	7,975	Yes
N000060-90-C-0913		1205	Yes	591,362	443,916	623,473	1,658,751		1,658,751	33	3/31/2009	1,640,426	(18,325)	Yes
Subtotal-Cost & Flexibly Priced Contracts							6,550,359		6,550,359			6,535,746	(14,613)	
SCHED K														
Time & Material														
N00022-96-D-0111		001				10,601	10,601		10,601	6	12/31/2008	10,848	247	Yes
N00022-96-D-0111		002				5,950	5,950		5,950	6	12/31/2008	5,000	(950)	
F66777-97-D-0112		001				6,000	6,000		6,000	2	12/31/2008	5,750	(250)	
						-	-		-			-	-	
Subtotal-Time & Material Contracts							22,551		22,551			21,598	(953)	
Total- Cost/Flexibly Priced and Time & Material Contracts							6,572,910		6,572,910			6,557,344	(15,566)	

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule not linked to
other schedules.
[ICE MANUAL](#)

XYZ Corporation
Anywhere, USA

Subcontract Information
Fiscal Year End - 3/31/2009

SCHEDULE J
ICE (version 2.0.1h)

Cost-type subcontracts issued under flexibly priced prime contracts – Yes No

SUBCONTRACT NO.	PRIME CONTRACT NO.	PRIME CONTRACT VALUE	SUBCONTRACTOR'S NAME & ADDRESS	SUBCONTRACTOR'S DUNS NUMBER	POINT OF CONTACT AND PHONE NO.	SUBCONTRACT VALUE	Performance Period		INCURRED IN FY 2009	AWARD TYPE
							From	To		
Subcontracts Issued: P.O. #XYZ0998R	N00039-05-C-0873	\$ 3,000,000	Small Company 1445 Southpark Blvd. Buffalo, NY 14206	888222333	Ms. Donna Charleston Marketing Manager (716) 883-8700 X317	\$110,500	3/16/2006	6/30/2009	\$87,912	CPFF
P.O. #XYZ0776R	N00040-05-C-0874	\$ 5,000,000	Tanza Enterprises 87B Executive Park Fairfax, VA 22033	111222444	Mr. Mike Tanza President (703) 983-5640	\$895,000	4/20/2006	12/2/2010	\$15,341	CPFF
P.O. #XYZ01032R	Subcontract to Clark Inc. Prime N00039-05-C-0875	\$ 7,000,000	Argonautics, Inc. 555 Ocean Parkway Anaheim, CA 92803	212121212	Mr. Ted Kessel Marketing Manager (714) 998-2000 X12	\$152,500	7/25/2008	10/16/2011	\$7,888	CPFF
P.O. #XYZ1213R	N00060-05-C-0913	\$ 5,000,000	DSK Corporation 3559 Vaulting Road York, PA 17405	112222311	Ms. Jane Matthews Marketing (717) 992-7800	\$236,135	10/12/2008	3/15/2009	\$49,732	CPFF
P.O. #XYZ0822R	N00060-05-C-0913	\$ 4,000,000	Aristeo Associates 546 Arroyo Drive Carlsbad, NM 87112	999925411	Mr. Vince Aristeo President (504) 535-1600	\$100,000	5/14/2007	5/14/2008	\$40,000	CPFF

Figure 15. ICE Incurred Cost Proposal, continued.

This Schedule is linked to schedule A for the G&A rate.

Any changes in data will affect Schedule I.

Other than G&A rate, only manual or externally imported entries

[Schedule A - Applied Overhead, G&A, & COM Rates](#)

[ICE MANUAL](#)

SCHEDULE K

ICE (version 2.0.1h)

XYZ Corporation
Anywhere, USA
Summary of Hours and Amounts on Time and Material/Labor Hour Contracts
Fiscal Year End - 3/31/2009

Contract Labor Category (1)	Contract No. 22-96-D-0111			Contract No. 22-96-D-0111			Contract No. '77-97-D-0112			Contract No. _____			Contract No. _____		
	Rate (2)	Hrs	Amount	Rate (2)	Hrs	Amount	Rate (2)	Hrs	Amount	Rate (2)	Hrs	Amount	Rate (2)	Hrs	Amount
Program Manager	\$ 25.00	100	2,500	\$25.00	50	1,250	\$22.50	100	2,250						
Senior Engineer	\$ 20.00	100	2,000	\$17.50	100	1,750	\$17.50	100	1,750						
Engineer	\$ 15.00	200	3,000	\$12.50	100	1,250	\$16.00	50	800						
Analyst	\$ 12.50	100	1,250	\$12.50	-	-	\$10.00	20	200						
Technical Typist	\$ 7.00	50	350	\$7.00	100	700	\$0.00	-	-						
TOTAL		550	9,100		350	4,950		270	5,000						
OTHER COSTS															
Material Costs (3)			1,000			500			750						
Travel Costs (3)			382			421			171						
G&A @: Sched A 8.60% (4)			119			79			79						
Subtotal			1,501			1,000			1,000						
TOTAL			10,601			5,950			6,000						- To SCHED I
Task Ceilings			25,000			12,500			7,500						

Explanatory Notes

- (1) Represents effort performed by the company. Any subcontract effort should be identified separately.
- (2) Represents rates specified in the contract which may be higher or lower than actual rates incurred.
- (3) Represents actual costs recorded in the cost records.
- (4) G&A applied at the claimed rate to Material (if not Value-added base) and Travel Costs.

Figure 15. ICE Incurred Cost Proposal, continued.

Schedule L is linked to the following schedules:

- [Schedule C, Overhead](#)
- [Schedule B, G&A](#)
- [Schedule D, Occupancy](#)
- [Schedule H, Claimed Allocation Bases](#)
- [ICE MANUAL](#)

SCHEDULE L
ICE (version 2.0.1h)
RECHECK FORMULAS

XYZ Corporation
 Anywhere, USA

**Reconciliation of Total Payroll per IRS form 941
 to Total Labor Costs Distribution**

Fiscal Year End - 3/31/2009

NOTE: Hidden rows have been inserted that will allow for automatic adjustment of the column totals when additional rows are inserted
 NOTE: Links not established for indirect costs because they have to be linked to account numbers inserted by contractor.

Acct No.	Description	General Ledger	Reference
	Direct Labor	656,824	Summary SCHED H
	General & Administrative:		SCHED B
8310	Salaries	90,007	link from Schedule B
8528	Holiday Wages	2,321	
8540	Vacation Wages	5,812	
8530	Sick Leave	987	
8531	Personal Absence	1,082	
	Overhead Pools:		SCHED C (x)
7001	Wages	33,060	link from Schedule C
8421	Holiday Wages	20,181	
8422	Vacation	25,440	
8423	Sick Leave	14,318	
8425	Severance Pay (in full)	32,419	
	Intermediate Pools:		SCHED D (x)
8110	Occupancy Wages	23,280	link from schedule D
	Overtime Premium (in ODCs)	270	
	Overtime Premium	-	
	Other Adjustment to arrive at Total Payroll Distributed (Provide detailed support)	-	
	TOTAL LABOR DISTRIBUTION	906,001	
		PER IRS FORM 941	
	1ST QTR.	228,479	
	2ND QTR	228,236	
	3rd QTR.	237,206	
	4th QTR.	220,167	
	Plus: Current Year Accrual	15,128	
	Minus: Prior Year Accrual	(33,214)	
	Other Adjustments	9,999	
	TOTAL PAYROLL	906,001	

Figure 15. ICE Incurred Cost Proposal, continued.

[ICE MANUAL](#)

SCHEDULE M

ICE (version 2.0.1h)

**XYZ Corporation
Anywhere, USA**

**Listing of Decisions/Agreements, or
Approvals Affecting Direct/Indirect Cost
And Description of Accounting or Organization Changes**

Fiscal Year End - 3/31/2009

Please provide copies of documents or a reference to where they are filed.

A. Decisions/Agreements or Approvals

1. Severance Pay - (Schedule C) Reference ACO letter of 30 July 2008 regarding Severance Pay and Relocation Expenses of terminated employees.
2. Pension Plan - (Schedules B & C) Reference ACO memorandum of negotiations of 10 August 2008 (FY 2009 Overhead) which sets forth pension plan rates, vacation approvals, and certain other matters.
3. B&P Ceiling - Included in ACO memorandum of negotiations discussed in 2. (above).
4. Billing Rates - ACO letter of 3 March 2008 setting forth approved billing rate for FY 2009.
5. Salary Approval - ACO letter of 19 June 2008 approving salaries of top management.
6. Ceiling Rates - Contract No. N00039-90-C-0873 provides for a ceiling on overhead and G&A rates of 80% and 10% respectively. The claimed rates for FY 2009 are less than the ceiling rates. Provide contract reference to ceiling rate.

B. Accounting or Organization Changes

1. During January 2009, a redirection of Contract No. N00060-09-C-0914 occurred. The PCO directed the stretching of this program into the future. This action necessitated a significant reduction in staff. From a total of 25 full-time employees on 1 January 2008, the staff was reduced to a total of 13 full-time employees by 30 May 2008.
2. Effective 1 April 2008, we deleted our secondary overhead pool for fringe benefit expenses. We elected to charge the fringe benefits expenses directly to the benefiting overhead pool.
3. Other than item numbers 1. And 2. Above, we have made no other major accounting or organizational changes during the period. However, we are currently considering adding a material handling pool effective 1 April 2009.

Figure 15. ICE Incurred Cost Proposal, continued.

SCHEDULE O
ICE (version 2.0.1h)

XYZ Corporation
Anywhere, USA

[ICE MANUAL](#)

Schedule of Contract Closing Information
for those Contracts which Work Effort was Completed During
Fiscal Year End - 3/31/2009

<u>Contract No.</u>	<u>Order No.</u>	<u>Performance Period</u>		<u>Ready To Close(1)</u>	<u>Contract Ceiling Amount (2)</u>	<u>Fee(3)</u>	<u>(if applicable) Level of Effort Cumulative Hours</u>		<u>Notes</u>
		<u>From</u>	<u>To</u>				<u>Required</u>	<u>Actual</u>	
Cost Type:									
Subcontract-Clark Inc.		2/16/05	2/28/09	Yes	1000000	60000	15000	14588	
N00060-95-C-0913		10/16/06	12/28/08	Yes	1,750,000	112,000	27,500	28950	
Time & Material									
N00022-96-D-0111	001	7/1/06	12/31/08	Yes	25,000				

Preparation Notes:

(1) Indicate whether the contract is ready to close based on all information available. If the contract is not ready to close (e.g., a contract modification is being pursued), the reasons why should be stated in a footnote:

(2) Provide the overall contract ceiling amount before fee, for the type of contract.

(3) Provide fee amount as provided by the contract. Include details of the fee computation for all flexibly priced incentive fee and level of effort type contracts, along with the contract modification used, in a footnote.

GLOSSARYABBREVIATIONS AND ACRONYMS

ACO	– Administrative Contracting Officer
AICPA	– American Institute of Certified Public Accountants
B&P	– Bid & Proposal
CAD	– Corporate Audit Directorate
CAM	– Contract Audit Manual (DCAA)CAS – Cost Accounting Standard(s)
CASB	– Cost Accounting Standard Board
CFAO	– Cognizant Federal Agency Official
CFR	– Code of Federal Regulations
CO	– Contracting Officer
CPA	– Certified Public Accountant(s)
CPAF	– Cost-Plus-Award-Fee (Contract)
CPIF	– Cost-Plus-Fixed-Fee (Contract)
CPIF	– Cost-Plus-Incentive-Fee (Contract)
DCAA	– Defense Contract Audit Agency
DCAAM	– Defense Contract Audit Agency Manual
DCMA	– Defense Contract Management Agency
DFARS	– Defense Federal Acquisition Regulation Supplement
DRD	– Deputy Regional Director
ETC	– Estimate to Complete (Cost)
FAO	– Field Audit Office
FAR	– Federal Acquisition Regulation
FFP	– Firm-Fixed-Price (Contract)
FPI	– Fixed-Price Incentive (Contract)
FPR	– Fixed-Price Redeterminable (Contract)
FPRA	– Forward Pricing Rate Agreement(s)
FPRR	– Forward Pricing Rate Recommendations
FY	– Fiscal Year
G&A	– General & Administrative (Expense)
GAAP	– Generally Accepted Accounting Principles
GPO	– Government Printing Office
GSA	– General Services Administration
IR&D	– Independent Research & Development (Cost)
IT	– Information Technology
NASA	– National Aeronautics and Space Administration

ODC	– Other Direct Cost
OFPP	– Office of Federal Procurement Policy (OMB)
OMB	– Office of Management and Budget
PCO	– Procuring Contracting Officer
PL	– Public Law
RFP	– Request(s) for Proposal(s)
SF	– Standard Form
T&M	– Time and Material (Contract)
TCO	– Termination Contracting Officer
U.S.C.	– United States Code
WAWF	– Wide Area Workflow