

Chapter 55 – Plant Reconversion Costs

Authoritative Sources

[FAR 31.205-31](#) Plant Reconversion Costs

This chapter provides general audit guidelines for auditing Plant Reconversion costs. Plant Reconversion costs are those incurred when the contractor restores or rehabilitates its facilities to roughly the same condition (except for normal wear and tear) the facilities were immediately before the start of the Government contract.

Background

FAR 31.205-31 has remained substantively unrevised since FAR was codified at Chapter 1 of Title 48 of the Code of Federal Regulations on April 1, 1984. Identical terms were contained in the Armed Services Procurement Regulation (ASPR) 15-205.29 (the precursor to FAR), which was published on November 2, 1959.

General Audit Guidelines

The cost principle generally applies to situations where a contractor changes a production line to allow for government production (the costs of this conversion are allowable) and then seeks to charge the costs of a reconversion of the line back to a commercial production. The reconversion costs are unallowable in this scenario – the contractor cannot charge the Government to both change the production line in preparation for the Government production and charge the Government to reconvert the line back for other production.

Plant Reconversion costs are expressly unallowable except for:

- The cost of removing **Government** property and the restoration or rehabilitation costs caused by such removal.
- In special circumstances, where equity dictates, the contracting officer can authorize Plant Reconversion costs, as long as it was agreed to **before** the costs are incurred (e.g. in an advanced agreement).

Completed or terminated contracts present increased risk for the potential existence of Plant Reconversion costs. These costs may be included in maintenance and repair costs accounts, or other similar accounts.