

SELECTED AREAS OF COST

Chapter 49 – No Cost Storage Contracts

Authoritative Sources

[FAR 31.201-4](#) Determining Allocability

[FAR 31.202](#) Direct Costs

[48 CFR 9904.402](#) (CAS 402) Consistency in Allocating Costs Incurred for the Same Purpose

No Cost Storage Contracts are contracts for which the contractor is to provide the Government with storage or warehousing services, but payment of the costs associated with these services is not provided for in the contracts. Some of these contracts specify that storage or warehousing costs are to be charged as an indirect expense. Other such contracts, while not specifically stating that the storage or make no provision for reimbursement of such costs under the contract. The likely result is that the costs associated with the storage or warehousing are allocated to and reimbursed under other non-benefiting Government contracts.

General Audit Guidelines

Allocability of Costs. The provisions of FAR 31.201-4, Determining Allocability, and CAS 418 set forth criteria for determining the proper allocation of expenses to final cost objectives. Irrespective of whether a contract provides for reimbursement of costs of particular items, the allocability of costs must be determined by the causal or beneficial relationship of the cost to the final cost objectives. Other contracts cannot bear the storage or warehousing costs that are properly allocable to the No Cost Storage Contracts (see CAM Sections 6-606 and 8-418).

Consistency in Accounting Treatment of Costs. FAR 31.202, Direct Costs, and CAS 402 state that all costs incurred for the same purpose in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives. A noncompliance with FAR 31.202 and CAS 402 arises when some contracts are charged directly for storage costs, as well as indirectly for the storage costs that should have been charged to the No Cost Storage Contracts. Inconsistent accounting treatment of storage or warehousing expense should be reported as a noncompliance with these requirements (see CAM Sections 6-608.3 and 8-402).

Anticipated Awards of No Cost Storage Contracts. When an ACO, PCO, or commercial customer has requested the contractor to store property at no cost, the auditor should place the ACO and/or PCO, and the contractor on notice that the cost associated with the storage or warehousing should be allocated in accordance with the contractor's normal accounting practices and the criteria discussed in paragraphs a. and b. above. If necessary, discuss the issues with the cognizant ACO so that a written notice of intent to disallow costs on impacted contracts may be issued in accordance with FAR 42.8.

Active No Cost Storage Contracts. Where auditors identify No Cost Storage Contracts, any inappropriate allocation of costs should be questioned. If not already issued, appropriate CAS and/or FAR noncompliance reports and DCAA Forms 1, if applicable, should be issued. In these situations, the contractor may assert that the audit position would involve prejudicial retroactivity and may introduce estoppel as a defense. The validity of an asserted estoppel claim is a legal issue and the auditor should not attempt to resolve such arguments. Estoppel is a matter which normally should be considered by contracting officers and procurement counsel subsequent to the issuance of the audit results. However, if an auditor perceives that an estoppel issue may affect an audit, the matter should be referred to the Regional Director for appropriate legal consultation.