30.604 Processing changes to disclosed or established cost accounting practices.

(a) *Scope*. This section applies to required, unilateral, and *desirable changes* in cost accounting practices.

(b) *Procedures*. Upon receipt of the contractor's notification and description of the change in cost accounting practice, the CFAO *should* review the proposed change concurrently for adequacy and compliance. The CFAO *shall*-

(1) If the description of the change is both adequate and compliant, notify the contractor *in writing* and-

(i) For required or *unilateral changes* (except those requested to be determined *desirable changes*), request the contractor submit a general dollar magnitude (GDM) proposal by a specified date, unless the CFAO determines the cost impact is immaterial; or

(ii) For *unilateral changes* that the contractor requests to be determined *desirable changes*, inform the contractor that the request *shall* include supporting rationale and-

(A) For any request based on the criteria in 30.603-2(b)(3)(ii), the data necessary to demonstrate the required cost savings; or

(B) For any request other than those based on the criteria in 30.603-2(b)(3)(ii), a GDM proposal and any other data necessary for the CFAO to determine if the change is a *desirable change*;

(2) If the description of the change is inadequate, request a revised description of the new cost accounting practice; and

(3) If the disclosed practice is noncompliant, notify the contractor *in writing* that, if implemented, the CFAO will determine the cost accounting practice to be noncompliant and process it accordingly.

(c) Evaluating requests for *desirable changes*.

(1) When a contractor requests a *unilateral change* be determined a *desirable change*, the CFAO *shall* promptly evaluate the contractor's request and, as soon as practical, notify the contractor *in writing* whether the change is a *desirable change* or the request is denied.

(2) If the CFAO determines the change is a *desirable change*, the CFAO *shall* negotiate any cost or price adjustments that *may* be needed to resolve the cost impact (see 30.606).

(3) If the request is denied, the change is a *unilateral change* and *shall* be processed accordingly.

(d) *General dollar magnitude proposal.* The GDM proposal-

(1) Provides information to the CFAO on the estimated overall impact of a change in cost accounting practice on affected CAS-covered contracts and subcontracts that were awarded based on the previous cost accounting practice;

(2) Assists the CFAO in determining whether individual contract price or cost adjustments are

required; and

(3) The contractor *may* submit a detailed cost-impact (DCI) proposal in lieu of a GDM proposal provided the DCI proposal is in accordance with paragraph (g) of this section.

(e) *General dollar magnitude proposal content.* The GDM proposal-

(1) *Shall* calculate the cost impact in accordance with paragraph (h) of this section;

(2) *May* use one or more of the following methods to determine the increase or decrease in cost accumulations:

(i) A representative sample of affected CAS-covered contracts and subcontracts.

(ii) The change in indirect rates multiplied by the total estimated base computed for each of the following groups:

(A) *Fixed-price contracts and subcontracts*.

(B) *Flexibly-priced contracts and subcontracts*.

(iii) Any other method that provides a reasonable approximation of the total increase or decrease in cost accumulations for all affected fixed-price and *flexibly-priced contracts and subcontracts*.

(3) *May* be in any format acceptable to the CFAO but, as a minimum, *shall* include the following data:

(i) A general dollar magnitude estimate of the total increase or decrease in cost accumulations by *Executive agency*, including any impact the change *may* have on contract and subcontract incentives, fees, and profits, for each of the following groups:

(A) *Fixed-price contracts and subcontracts*.

(B) *Flexibly-priced contracts and subcontracts*.

(ii) For *unilateral changes*, the increased or decreased costs to the Government for each of the following groups:

(A) *Fixed-price contracts and subcontracts*.

(B) *Flexibly-priced contracts and subcontracts*; and

(4) When requested by the CFAO, *shall* identify all affected CAS-covered contracts and subcontracts.

(f) *General dollar magnitude proposal evaluation.* The CFAO *shall* promptly evaluate the GDM proposal. If the cost impact is immaterial, the CFAO *shall* notify the contractor *in writing* and conclude the cost-impact process with no contract adjustments. Otherwise, the CFAO *shall*-

(1) Negotiate and resolve the cost impact (see 30.606). If necessary, the CFAO *may* request that the contractor submit a revised GDM proposal by a specified date with specific additional data needed to resolve the cost impact (*e.g.,* an expanded sample of affected CAS-covered contracts and subcontracts or a revised method of computing the increase or decrease in cost accumulations); or

(2) Request that the contractor submit a DCI proposal by a specified date if the CFAO determines

that the GDM proposal is not sufficient to resolve the cost impact.

(g) *Detailed cost-impact proposal.* If the contractor is required to submit a DCI proposal, the CFAO *shall* promptly evaluate the DCI proposal and follow the procedures at 30.606 to negotiate and resolve the cost impact. The DCI proposal-

(1) *Shall* calculate the cost impact in accordance with paragraph (h) of this section;

(2) *Shall* show the estimated increase or decrease in cost accumulations for each affected CAS-covered contract and subcontract unless the CFAO and contractor agree to-

(i) Include only those affected CAS-covered contracts and subcontracts exceeding a specified amount; and

(ii) Estimate the total increase or decrease in cost accumulations for all affected CAS-covered contracts and subcontracts, using the results in paragraph (g)(2)(i) of this section;

(3) *May* be in any format acceptable to the CFAO but, as a minimum, *shall* include the requirements at paragraphs (e)(3)(i) and (ii) of this section; and

(4) When requested by the CFAO, *shall* identify all affected contracts and subcontracts.

(h) *Calculating cost impacts*. The cost impact calculation *shall-*

(1) Include all affected CAS-covered contracts and subcontracts regardless of their status (*i.e.,* open or closed) or the fiscal year(s) in which the costs are incurred (*i.e.,* whether or not the final indirect rates have been established);

(2) Combine the cost impact for all affected CAS-covered contracts and subcontracts for all *segments* if the effect of a change results in costs flowing between those *segments*;

(3) For *unilateral changes*-

(i) Determine the increased or decreased cost to the Government for *flexibly-priced contracts and subcontracts* as follows:

(A) When the estimated cost to complete using the changed practice exceeds the estimated cost to complete using the current practice, the difference is increased cost to the Government.

(B) When the estimated costs to complete using the changed practice is less than the estimated cost to complete using the current practice, the difference is decreased cost to the Government.

(ii) Determine the increased or decreased cost to the Government for *fixed-price contracts and subcontracts* as follows:

(A) When the estimated cost to complete using the changed practice is less than the estimated cost to complete using the current practice, the difference is increased cost to the Government.

(B) When the estimated cost to complete using the changed practice exceeds the estimated cost to complete using the current practice, the difference is decreased cost to the Government.

(iii) Calculate the total increase or decrease in contract and subcontract incentives, fees, and profits associated with the increased or decreased cost to the Government in accordance with 48 CFR 9903.306(c). The associated increase or decrease is based on the difference between the negotiated

incentives, fees and profits and the amounts that would have been negotiated had the cost impact been known at the time the contracts and subcontracts were negotiated.

(iv) Calculate the increased cost to the Government in the aggregate.

(4) For required or *desirable changes*, negotiate an equitable adjustment as provided in the Changes clause of the contract.

(i) *Remedies.* If the contractor does not submit the accounting change description or the proposals required in paragraph (d) or (g) of this section within the specified time, or any extension granted by the CFAO, the CFAO *shall*-

(1) Estimate the general dollar magnitude of the cost impact on affected CAS-covered contracts and subcontracts; and

(2) Take one or both of the following actions:

(i) Withhold an amount not to exceed 10 percent of each subsequent payment related to the contractor's CAS-covered contracts (up to the estimated general dollar magnitude of the cost impact), until the contractor furnishes the required information.

(ii) Issue a final decision in accordance with 33.211 and unilaterally adjust the contract(s) by the estimated amount of the cost impact.

Parent topic: Subpart 30.6 - CAS Administration