

42.703-1 Policy.

(a) A single agency (see [42.705-1](#)) *shall* be responsible for establishing *final indirect cost rates* for each *business unit*. These rates *shall* be binding on all agencies and their *contracting offices*, unless otherwise specifically prohibited by statute. An agency *shall* not perform an audit of *indirect cost rates* when the *contracting officer* determines that the objectives of the audit can reasonably be met by accepting the results of an audit that was conducted by any other department or agency of the Federal Government ([10 U.S.C. 3841\(e\)](#) and [41 U.S.C. 4706\(e\)](#)).

(b) *Billing rates* and *final indirect cost rates* *shall* be used in reimbursing *indirect costs* under cost-reimbursement contracts and in determining progress payments under fixed-price contracts.

(c) To ensure compliance with [10 U.S.C. 3743\(a\)](#) and [41 U.S.C. 4303\(a\)](#)-

(1) *Final indirect cost rates* *shall* be used for contract closeout for a *business unit*, unless the quick-closeout procedure in [42.708](#) is used. These final rates *shall* be binding for all cost-reimbursement contracts at the *business unit*, subject to any specific limitation in a contract or advance agreement; and

(2) Established *final indirect cost rates* *shall* be used in negotiating the final price of fixed-price incentive and fixed-price redeterminable contracts and in other situations requiring that *indirect costs* be settled before contract prices are established, unless the quick-closeout procedure in [42.708](#) is used.

Parent topic: [42.703 General](#).