

## 30.606 Resolving cost impacts.

### (a) General.

(1) The CFAO *shall* coordinate with the affected *contracting officers* before negotiating and resolving the cost impact when the estimated cost impact on any of their contracts is at least \$100,000. However, the CFAO has the sole authority for negotiating and resolving the cost impact.

(2) The CFAO *may* resolve a cost impact attributed to a change in cost accounting practice or a *noncompliance* by adjusting a single contract, several but not all contracts, all contracts, or any other suitable method.

(3) In resolving the cost impact, the CFAO-

(i) *Shall* not combine the cost impacts of any of the following:

(A) A *required change* and a *unilateral change*.

(B) A *required change* and a *noncompliance*.

(C) A *desirable change* and a *unilateral change*.

(D) A *desirable change* and a *noncompliance*.

(ii) *Shall* not combine the cost impacts of any of the following unless all of the cost impacts are increased costs to Government:

(A) One or more *unilateral changes*.

(B) One or more *noncompliances*.

(C) *Unilateral changes* and *noncompliances*; and

(iii) *May* consider the cost impacts of a *unilateral change* affecting two or more *segments* to be a single change if-

(A) The change affects the flow of costs between *segments*; or

(B) Implements a common cost accounting practice for two or more *segments*.

(4) For *desirable changes*, the CFAO *should* consider the estimated cost impact of associated management actions on contract costs in resolving the cost impact.

(b) *Negotiations*. The CFAO *shall*-

(1) Negotiate and resolve the cost impact on behalf of all Government agencies; and

(2) At the conclusion of negotiations, prepare a negotiation memorandum and send copies to the auditor and affected *contracting officers*.

(c) *Contract adjustments*.

(1) The CFAO *may* adjust some or all contracts with a material cost impact, subject to the provisions in paragraphs (c)(2) through (c)(6) of this section.

(2) In selecting the contract or contracts to be adjusted, the CFAO *should* assure, to the maximum extent practical and subject to the provisions in paragraphs (c)(3) through (c)(6) of this section, that the adjustments reflect a *pro rata* share of the cost impact based on the ratio of the cost impact of each *Executive agency* to the total cost impact.

(3) For *unilateral changes* and *noncompliances*, the CFAO *shall*-

(i) To the maximum extent practical, not adjust the price upward for fixed-price contracts;

(ii) If contract adjustments are made, preclude payment of aggregate increased costs by taking one or both of the following actions:

(A) Reduce the contract price on fixed-price contracts.

(B) Disallow costs on flexibly-priced contracts; and

(iii) The CFAO *may*, in consultation with the affected *contracting officers*, increase or decrease individual contract prices, including contract cost ceilings or target costs on flexibly-priced contracts. In such cases, the CFAO *shall* limit any upward contract price adjustments on affected contracts to the amount of downward price adjustments to other affected contracts, *i.e.*, the aggregate price of all contracts affected by a *unilateral change* shall not be increased (48 CFR 9903.201-6(b)).

(4) For *noncompliances* that involve estimating costs, the CFAO-

(i) *Shall*, to the extent practical, not adjust the price upward for fixed-price contracts;

(ii) *Shall*, if contract adjustments are made, preclude payment of aggregate increased costs by reducing the contract price on fixed-price contracts;

(iii) *May*, in consultation with the affected *contracting officers*, increase or decrease individual contract prices, including costs ceilings or target costs on flexibly-priced contracts. In such cases, the CFAO *shall* limit any upward contract price adjustments to affected contracts to the amount of downward price adjustments to other affected contracts, *i.e.*, the aggregate price of all contracts affected by a *noncompliance* that involves estimating costs *shall* not be increased (48 CFR 9903.201-6(d));

(iv) *Shall* require the contractor to correct the *noncompliance*, *i.e.*, ensure that compliant cost accounting practices will now be utilized to estimate proposed contract costs; and

(v) *Shall* require the contractor to adjust any *invoices* that were paid based on noncompliant contract prices to reflect the adjusted contract prices, after any contract price adjustments are made to resolve the *noncompliance*.

(5) For *noncompliances* that involve cost accumulation, the CFAO-

(i) *Shall* require the contractor to-

(A) Correct noncompliant contract cost accumulations in the contractor's cost accounting records for affected contracts to reflect compliant contract cost accumulations; and

(B) Adjust interim payment requests (public vouchers and/or progress payments) and final vouchers to reflect the difference between the costs paid using the noncompliant practice and the costs that *should* have been paid using the compliant practice; or

(ii) *Shall* adjust contract prices. In adjusting contract prices, the CFAO *shall* preclude payment of aggregate increased costs by disallowing costs on flexibly-priced contracts.

(A) The CFAO *may*, in consultation with the affected *contracting officers*, increase or decrease individual contract prices, including costs ceilings or target costs on flexibly-priced contracts. In such cases, the CFAO *shall* limit any upward contract price adjustments to affected contracts to the amount of downward price adjustments to other affected contracts, *i.e.*, the aggregate price of all contracts affected by a *noncompliance* that involves cost accumulation *shall* not be increased (48 CFR 9903.201-6(d)).

(B) *Shall* require the contractor to-

(1) Correct contract cost accumulations in the contractor's cost accounting records to reflect the contract price adjustments; and

(2) Adjust interim payment requests (public vouchers and/or progress payments) and final vouchers to reflect the contract price adjustments.

(6) When contract adjustments are made, the CFAO *shall*-

(i) Execute the bilateral modifications if the CFAO and contractor agree on the amount of the cost impact and the adjustments (see [42.302\(a\)\(11\)\(iv\)](#)); or

(ii) When the CFAO and contractor do not agree on the amount of the cost impact or the contract adjustments, issue a final decision in accordance with [33.211](#) and unilaterally adjust the contract(s).

(d) *Alternate* methods.

(1) The CFAO *may* use an *alternate* method instead of adjusting contracts to resolve the cost impact, provided the Government will not pay more, in the aggregate, than would be paid if the CFAO did not use the *alternate* method and the *contracting* parties agree on the use of that *alternate* method.

(2) The CFAO *may* not use an *alternate* method for contracts when application of the *alternate* method to contracts would result in-

(i) An under recovery of monies by the Government (*e.g.*, due to cost overruns); or

(ii) Distortions of incentive provisions and relationships between target costs, ceiling costs, and actual costs for incentive type contracts.

(3) When using an *alternate* method that excludes the costs from an *indirect cost* pool, the CFAO *shall*-

(i) Apply such exclusion only to the determination of *final indirect cost rates* (see [42.705](#)); and

(ii) Adjust the exclusion to reflect the Government participation rate for *flexibly-priced contracts and subcontracts*. For example, if there are aggregate increased costs to the Government

of \$100,000, and the *indirect cost* pool where the adjustment is to be effected has a Government participation rate of 50 percent for *flexibly-priced contracts and subcontracts*, the contractor *shall* exclude \$200,000 from the *indirect cost* pool ( $\$100,000/50\% = \$200,000$ ).

**Parent topic:** Subpart 30.6 - CAS Administration