

**SUBPART 242.7—INDIRECT COST RATES**

**242.704 Billing rates.**

(c) The administrative contracting officer or auditor shall periodically review billing rates for continued applicability. Billing rates should be established on a year-to-year basis.

**242.705 Final indirect cost rates.**

**242.705-1 Contracting officer determination procedure.**

(a) *Applicability and responsibility.*

(1) The corporate administrative contracting officer (CACO) and individual administrative contracting officers (ACO) shall jointly decide whether negotiations will be conducted on a coordinated or centralized basis. When they are conducted on a coordinated basis, individual ACOs are responsible for coordinating with the CACO to ensure consistency of cost determinations.

(b) *Procedures.*

(1) Require DoD contractors to submit a copy of their final indirect cost rate proposals to the contract auditor.

**242.705-2 Auditor determination procedure.**

(b) *Procedures.*

(2)(ii) The contractor and the auditor shall sign the agreement.

(iv) When agreement cannot be reached with the contractor, the auditor will issue a DCAA Form 1, Notice of Contract Costs Suspended and/or Disapproved, in addition to the advisory report to the administrative contracting officer. The DCAA Form 1 details the items of exception and advises the contractor that requests for reconsideration should be submitted in writing to the administrative contracting officer.

**242.705-3 Educational institutions.**

(b) *Predetermined final indirect cost rates.*

(4)(i) Predetermined indirect cost rate proposals may cover a period of two to four years when the cognizant Contracting Officer determines that the educational institution's cost experience and other pertinent facts available are sufficient to enable the parties to reach an informed judgment on the probable levels of indirect costs and allocation base costs for the applicable future accounting periods. Predetermined rates covering two to four year periods are expected to be the norm in those situations.

(6) Predetermined indirect cost rates may be established to cover up to four years.

**242.770 Reserved.**

**242.771 Independent research and development/bid and proposal.**

**242.771-1 Scope of subpart.**

This section implements Section 802 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Pub. L. 102-190) and is effective for IR&D/B&P costs incurred by a major contractor during fiscal years of that contractor that begin on or after October 1, 1992.

**242.771-2 Policy.**

Defense contractors are encouraged to engage in IR&D/B&P activities of potential interest to DoD, including activities cited in 231.205-18(c)(2)(i)(2).

**242.771-3 Responsibilities.**

(a) The cognizant administrative contracting officer (ACO) or corporate ACO shall—

(1) Determine, with input from the field pricing team, whether IR&D/B&P projects performed by major contractors (see FAR 31.205-18(a)) are of potential interest to DoD.

(2) Notify the contractor promptly of any IR&D/B&P activities which are not of potential interest to DoD.

(b) The Defense Contract Management Command of the Defense Logistics Agency or the Military Department responsible for performing contract administration functions is responsible for—

(1) Implementing the requirements of Section 802 of Pub. L. 102-190 as set forth in 231.205-18(c)(2) and FAR 31.205-18.

(2) Submitting an annual report to the Director of Defense Procurement (USD(A&T)DP) setting forth required statistical information relating to the DoD-wide IR&D/B&P program. The Report Control Symbol is DD-ACQ(A)1139.

(c) The Director, Defense Research and Engineering (USD(A&T)DDR&E), is responsible for establishing a regular method for communication—

(1) From DoD to contractors, of timely and comprehensive information regarding planned or expected DoD future needs; and

(2) From contractors to DoD, of brief technical descriptions of contractor IR&D projects.