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**DEPARTMENT OF DEFENSE**

**GENERAL SERVICES ADMINISTRATION**

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

[OMB Control No. 9000-0129]

[Docket 2016-0053; Sequence 8]

**Submission for OMB Review; Cost Accounting Standards  
Administration**

**AGENCIES:** Department of Defense (DOD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Notice of request for extension of an existing OMB clearance.

**SUMMARY:** Under the provisions of the Paperwork Reduction Act, the Regulatory Secretariat Division will be submitting to the Office of Management and Budget (OMB) a request to review and approve an extension of a previously approved information collection requirement concerning cost accounting standards administration. A notice was published in the **Federal Register** at 81 FR 7343 on February 11, 2016. One letter containing numerous comments was received.

**DATES:** Submit comments on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** Submit comments regarding this burden estimate or any other aspect of this collection of information,

including suggestions for reducing this burden to: Office of Information and Regulatory Affairs of OMB, Attention: Desk Officer for GSA, Room 10236, NEOB, Washington, DC 20503. Additionally submit a copy to GSA by any of the following methods:

- Regulations.gov: <http://www.regulations.gov>.

Submit comments via the Federal eRulemaking portal by searching the OMB control number. Select the link "Submit a Comment" that corresponds with "Information Collection 9000-0129, Cost Accounting Standards Administration". Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "Information Collection 9000-0129, Cost Accounting Standards Administration" on your attached document.

- Mail: General Services Administration, Regulatory Secretariat Division (MVCB), 1800 F Street, NW, Washington, DC 20405. ATTN: Ms. Flowers/IC 9000-0129, Cost Accounting Standards Administration.

Instructions: Please submit comments only and cite Information Collection 9000-0129, Cost Accounting Standards Administration, in all correspondence related to this collection. Comments received generally will be posted without change to <http://www.regulations.gov>, including any

personal and/or business confidential information provided. To confirm receipt of your comment(s), please check [www.regulations.gov](http://www.regulations.gov), approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

**FOR FURTHER INFORMATION CONTACT:** Ms. Kathlyn Hopkins, Procurement Analyst, Office of Acquisition Policy, GSA, 202-969-7226, or email [kathlyn.hopkins@gsa.gov](mailto:kathlyn.hopkins@gsa.gov).

**SUPPLEMENTARY INFORMATION:**

**A. Purpose**

FAR Subpart 30.6 and the provision at 52.230-6 include pertinent rules and regulations related to the Cost Accounting Standards (CAS), along with administrative policies and procedures. These require companies performing CAS-covered contracts to submit notifications and descriptions of certain cost accounting practice changes, including revisions to their Disclosure Statements, if applicable. The frequency of this collection is variable, as detailed below.

FAR 52.230-6 requires contractors to submit to the cognizant Contracting Officer a description of any cost accounting practice change, the total potential impact of the change on contracts containing a CAS provision, a general dollar magnitude or detailed cost-impact proposal

of the change which identifies the potential shift of costs among CAS-covered contracts by contract type (i.e., firm fixed-price, incentive cost-plus-fixed-fee, etc.) and other contractor business activity.

## **B. Discussion and Analysis**

One respondent submitted public comments on the extension of the previously approved information collection. The respondent offered numerous comments, which are organized topically and analyzed below:

Comment #1 on burdens, number of DoD respondents: The respondent posited that the Government's estimate of 740 respondents [working under CAS-covered contracts] for the Department of Defense (DoD) was overstated, given that the estimate reflected the number of unique DUNS numbers. The respondent stated that the number of respondents should be lower, as 740 unique DUNS numbers would equate to approximately 500 contractor Business Units and Segments, plus approximately 150 contractor Home Offices, resulting in an estimate of 650 DoD respondents.

Response: The Government estimate was based on data from the Defense Contract Audit Agency's (DCAA) Management Information System, which shows 740 active contractors (615 with full CAS coverage, 125 with modified CAS coverage). (See also Comment #2, which addresses respondents not

overseen by DCAA.) Given the increased granularity the respondent provided vis-à-vis Business Units, Segments, and contractor Home Offices, the Government has incorporated the 650 figure in its revised estimate of the number of DoD respondents.

Comment #2 on burdens, number of civilian agency respondents: The respondent stated that the initial Government estimate of 100 additional contractors under civilian-agency cognizance was significantly understated. Based on informal data gathering, the respondent estimated that non-DCAA entities were serving as the Cognizant Federal Agency for a total of 400 additional Business Units, Segments, and Home Offices.

Response: The Government estimate of the number of respondents working under CAS-covered contracts not overseen by DCAA was based on expert judgment, indicating that DCAA has cognizance over nearly 90% of the CAS-covered contractors, and noting that some contractors overseen by DCAA also have civilian agency contracts. Considering the respondent's estimate of 400 additional contractors with CAS-covered contracts, the Government extracted a random sample from five years of Federal Procurement Data System (FPDS) records on potentially CAS-covered contractors. Of that sample, 70% were identified as DoD contractors and 30%

were identified as civilian-agency contractors. The subset of civilian-agency contractors and the list of DCAA-overseen contractors overlapped only slightly (2% of the civilian-agency contractors in the random sample were overseen by DCAA). Therefore, starting with the 650 DoD respondents, as accepted via the response to Comment #1 above (which equates to 72% of the total), the Government estimates that the total number of respondents is 903, leaving 253 under other-than-DCAA cognizance.

Comment #3 on burdens, number of responses: Defining a "response" to mean a contractor's formal written submission to the Government pursuant to the terms of FAR 52.230-6, the respondent noted that the clause requires the following significant types of responses: (a) Advance notifications or requests for retroactive application of cost accounting practice changes (FAR 52.230-6(b)); (b) Revised Cost Accounting Standards Board (CASB) Disclosure Statements (FAR 52.230-6(b)), including transmittal letter, revision summary; (c) Adequacy review/walkthrough and support; (d) General Dollar Magnitude (GDM) proposals (FAR 52.230-6(c)(1)), including periodic updates as may be requested by the Government, Audit walkthroughs, data requests, and other audit support, Responses to audit reports, Negotiations; (e) Detailed Cost Impact (DCI) proposals (FAR

52.230-6(c)(2)), including periodic updates as may be requested by the Government; audit walkthroughs, data requests, and other audit support; responses to audit reports; negotiations; (f) Requests for Desirable Changes (FAR 52.230-6(c)(3)&(4)), including requests for additional data and requests for additional analysis.

Discussions among the organizations represented by the respondent indicate that items (a), (b) and (c), as listed above, are produced annually. Many noted that DoD often requests item (e), which would bring the number of responses to four annually. Some noted that they have experienced as many as six to eight responses annually, but this was not common. Still, the respondent's assessment suggests the Government's initial estimate of 2.27 responses per respondent per year was low, and recommended an estimate of 3.5 responses per year.

Response: Based upon the data collected from the organizations (primarily DoD contractors) for whom the respondent is speaking, the number of responses should fall between 3 and 4 annually. Based upon expert assessment of all Government contractors with CAS-covered contracts, the number of responses should fall between 2 and 2.5 annually. Given that there are more DoD contractors with CAS-covered

contracts, the revised Government estimate uses a blend of the two assessments: 3 responses annually per respondent.

Comment #4 on burdens, average hours per response: The respondent acknowledged that, of the three factors bearing upon the Government's estimate, this factor is the most difficult to reckon. Of the types of responses listed above, some are more time-intensive than others. Notifications and Disclosure Statement revisions, although cumbersome, require much less time than GDM, DCI, and Desirable Change proposals. Some circumstances that significantly influence burden per response include: (a) the type of cost accounting practice change (i.e., required, unilateral, correction of noncompliance); (b) the nature of the change (e.g., change in direct vs. indirect, changes in the composition of cost pools, change in the nature or composition of allocation bases, changes in how costs are measured, etc.); (c) the number of changes that become effective; (d) where the change occurs (within a Business Unit/Segment, at the Home office - thereby impacting all associated segments); (e) number of proposal updates requested by the Government after initial submission; (f) time between initial submission and audit; and (g) the timing, duration, depth, and quality of audit.

The respondent reported that 175 hours may understate the effort necessary to prepare certain types of responses (e.g., GDMs, DCIs), but acknowledged that notifications and Disclosure Statement revisions generally took less time to prepare. Although the respondent suggested that the Government's estimate of hours per response was low, there was insufficient quantitative basis to recommend an alternative estimate.

Response: The 175-hour estimate is representative of the average level of effort for the most commonly needed artifacts, according to a Government subject matter expert.

All in all, the initial Government estimate was increased in two areas: (1) number of respondents, and (2) number of annual responses per respondent. The number of hours per response remained the same.

The respondent offered several recommendations aimed at reducing the number of responses and the average hours per response, while also reducing the Government's burdens without any increase in financial risk. While the respondent generally affirmed the necessity of collecting this information, comments were received on ways to improve the quality, utility, and clarity of the information collection, including the use of information technology to ease the collection burden, as detailed below.

Comment A, 60-day advance notice of cost accounting practice changes (FAR 52.230-6(b)). Cost accounting practice changes are not subject to the Government's prospective review and approval (see FAR 30.603-2(a)(1)). The Government reviews the adequacy of new cost accounting practices and evaluates them for compliance with the Standards. Because there is no approval process, the FAR 52.230-6(b) advance notification (60 days) requirement lacks practical utility.

To the extent the Government needs to know about a contractor's cost accounting practices for contract price negotiations, the Truth in Negotiations Act (TINA) requires contractors to maintain a current, accurate, and complete Disclosure Statement because it is "cost or pricing data." TINA provides remedies for defective data if the Government relies on a non-current cost accounting disclosure to its detriment.

Additionally, if TINA does not apply to a negotiated award (as is the case with competitively awarded cost-type contracts) but the Government nevertheless relies to its detriment on a contractor's non-current cost accounting disclosures, then FAR 30.603-2(c)(2) allows the Government to assert a CAS 401 non-compliance. FAR 52.230-6(g) prescribes the process for resolving non-compliances.

Response: The Councils appreciate this analysis and perspective, and will consult with the Cost Accounting Standards Board on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment B, Retroactive cost accounting practice changes (FAR 52.230-6(b)(3)). Retroactive cost accounting practice changes (only within a contractor's current fiscal year) are subject to Government review and approval (see FAR 30.603-2(d)). This requirement has no practical utility because the process to measure the cost impact of cost accounting practice changes includes all "affected" CAS-covered contracts regardless of whether a change is prospective, retroactive, or both. Additionally, it makes no sense that retroactive unilateral cost accounting changes require Government approval but prospective changes and corrections of non-compliances do not. Moreover, if a contractor priced and negotiated a CAS-covered contract using a cost accounting practice that it contemplated changing (and ultimately did change) retroactively during the fiscal year, then the remedies provided by CAS and TINA are the same - a price/cost reduction. Thus, the existence of a Government approval process has no bearing on these statutory remedies.

Response: The Councils appreciate this analysis and perspective, and will consult with the Cost Accounting Standards Board on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment C, Estimates of future cost impacts in GDM and DCI proposals (FAR 52.230-6(f)). Estimating the cost impact of cost accounting practice changes on affected CAS-covered contracts for future periods aligns with the CAS prohibition against the Government paying "increased costs in the aggregate" relative to certain types of changes. However, these estimates are difficult and time consuming, and this seemingly logical requirement has little or no practical utility because the Government rarely resolves cost impact proposals until most (or all) actual costs have been incurred. The respondent speculated that this situation occurs for two primary reasons: (1) estimates are notoriously difficult for the Government to evaluate and negotiate, and (2) the Government lacks the resources (and a regulatory mandate) to resolve cost impact proposals timely. Making the utility of these forward-looking estimates even less practical, the respondent reported that the Government routinely requests updates to previously-

submitted GDMs and DCIs until nearly all estimates have become actuals due to the passage of time.

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment D, Streamlining the notification protocol. The respondent, while maintaining that the current protocol for notifying the Government of cost accounting practice changes lacks practical utility, agreed that contractors must notify the Government about changes in cost accounting practices. The respondent maintained that contractors should be free to change accounting practices prospectively, retroactively within the current accounting period, and retroactively as needed to correct a noncompliance, stressing that advance notice is wholly unnecessary, and suggesting the below protocol that would reduce the annual burden on both contractors and the Government:

1. Contractors must notify the Government of prospective cost accounting practice changes on or before the effective date of the change. For retroactive changes within the cost accounting period and corrections of non-

compliances, contractors must provide notice on or before the effective date of the change. Modification of the current notification format or the evaluation of cost impacts (including materiality) is not needed.

2. Contractors also summarize all changes effective or implemented within the cost accounting period in their annual Final Indirect Cost Rate Proposals. This is an existing requirement for most Respondents pursuant to FAR 52.216-7(d) (2) (iii) (M). For contractors who do not perform contracts containing FAR 52.216-7, add a requirement at FAR 52.230-6 that contractors nevertheless must report all cost accounting practice changes annually, not later than 6 months after the contractor's cost accounting period ends.

3. For cost accounting practice changes that occur during the cost accounting period, contractors must update their CASB Disclosure Statements at least once annually (within 90 days after the end of the cost accounting period), or no later than the first Certificate of Current Cost or Pricing Data after the changes become effective (often be in connection with Forward Pricing Rate Proposals). Non-disclosure of cost accounting practice changes at the time of a price negotiation based on Cost Analysis (see FAR 15.404-1(c)) may constitute a CAS 401 non-compliance at the contracting officer's discretion.

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment E, Option (or preference) for evaluating and negotiating cost impacts in arrears. The current regulatory protocol for measuring and resolving cost impacts implicitly prefers promptness after notification. But as noted above, actual practice essentially negates the utility of this approach. The respondent welcomes the prompt resolution of cost accounting practice changes in return for the significant burden of preparing forward-looking cost impact estimates. However, if the Government is either unwilling or unable to resolve cost impacts promptly, the parties would both benefit from either a preference for, or an explicit election of, resolving cost impacts in arrears. For example:

1. Allow contractors to prepare cost impact proposals annually, to include all cost accounting practice changes summarized on Schedule M of each Respondent's Final Indirect Cost Rate Proposal. Cost impact proposals (either GDM or DCI, at the Government's request) would be due within nine months (or other mutually agreeable period)

after the end of each cost accounting period (if changes occurred).

2. Modify the current cost impact protocol to establish an explicit period (e.g., 180 days) for the Government to evaluate and negotiate after the initial receipt of a contractor's GDM or DCI proposal. If the Government does not act during this period, the cost impact proposal automatically becomes subject to negotiation in arrears (i.e., once substantially all costs have been incurred on affected contracts). This requirement would significantly reduce contractors' burden with periodically updating their proposals, as well as the Government's burden of auditing estimates that become stale as time passes.

3. Allow the Government and the contractor to elect to resolve cost impacts in arrears.

4. Contractors and the Government can use, without significant modification, the existing annual Final Indirect Cost Rate Proposal process (FAR 52.216-7(d)) to track both cost accounting practice changes and CAS-covered contracts affected by the change(s). Contractors who do not submit annual Final Indirect Cost Rate Proposals will nevertheless be required to report changes annually (see recommendation above).

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment F, Streamlining the cost impact resolution protocol at FAR 30.606(a)(3). Of all changes made to FAR Part 30 in 2005, the prohibitions against "combining" the impacts of certain changes established at FAR 30.606(a)(3)(i)&(ii) not only add significant burden on contractors, but also create significant inequity. When contractors make multiple simultaneous cost accounting practice changes (very common), these cumbersome and onerous rules require contractors to measure each change separately. Therefore, a single GDM or DCI proposal becomes multiple proposals - one for each change. This is unnecessary given that the spirit of the statutory CAS cost impact process is merely to prevent the Government from paying increased costs in the aggregate.

In this regard, for both unilateral changes and corrections of non-compliances, the CAS administration regulations at CFR 9903.201-1(b)&(d) provide that (1) the Contracting Officer shall make a finding that the contemplated contract price and cost adjustments will

protect the United States from payment of increased costs, in the aggregate and (2) that the net effect of the adjustments being made does not result in the recovery of more than the estimated amount of such increased costs. The distinctions created in FAR 30.606(a)(3) are inconsistent with these CAS regulations, create significant unnecessary burden for both parties, and cause significant negotiation challenges as the Government often attempts to recover more than increased costs in the aggregate as contemplated by the CAS regulations. To relieve the unnecessary burden FAR 30.606(a)(3) places on preparing and evaluating GDM and DCI proposals, and to foster equitable resolutions, the respondent recommended:

1. Allow required changes, unilateral changes, and desirable changes to be combined.
2. Allow prospective corrections of non-compliances to be combined with other types of changes if made simultaneously. (The respondent noted that retroactive corrections of noncompliances that impact prior cost accounting periods cannot be combined with other types of changes, since because unilateral changes can only be made retroactively to the beginning of the current cost accounting period.) This topic is discussed in a recent Armed Services Board of Contract Appeals matter. In the

Appeal of Raytheon (ASBCA Nos. 57801, 57803, 58068), the Board provides a history of how combinations were once permitted.

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

Comment G, Eliminating the Government's ability to double-recover costs under FAR 30.604(h). The current construct of FAR 30.604(h) defines an "increased cost to the Government" as either:

An increase in costs allocated to cost-reimbursable contracts, or a decrease in costs allocated to fixed price contracts. "Increased cost in the aggregate" is determined by adding these two amounts.

While this provision seems to make sense at first glance, practical experience often yields inequitable results. For example, if a contractor changes a cost accounting practice that shifts \$10 away from a fixed price contract (i.e., costs decrease) and onto a cost-reimbursable contract (i.e., costs increase), the regulatory regime at FAR 30.604(h) concludes that "increased costs in the aggregate" is \$20. Of course, this

is simply not true; \$10 has not magically become \$20 and regulations that create this kind windfall to the Government should be modified to curtail it. In the Appeal of Raytheon (ASBCA Nos. 57801, 57803, 58068), the Board agreed that this regulatory construct may create a windfall for the Government. Addressing this inequity will reduce the burden on contractors and the Government by improving the speed at which cost impacts are negotiated. Many cost impacts languish unsettled because doing nothing seems more reasonable than proceeding under the rules. To resolve this logjam, we recommend adding a simple provision to FAR 30.604(h), the essence of which is from CFR 9903.201-1(b), that states "The CFAO is responsible for (1) ensuring the cost impact calculation will protect the United States from payment of increased costs in the aggregate and (2) that the net effect of any contract price or cost adjustments does not result in the recovery of more than the estimated amount of such increased costs. Care must be taken to ensure costs are not double-recovered through both contract price adjustments and cost limitations."

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information

collection. There are no changes to the burden estimates based on this comment.

Comment H, Converting the current Disclosure Statement from paper to an electronic, secure database. The respondent's final recommendation was that the Government provide a centralized, secure, on-line means of disclosing cost accounting practices. This could be done similarly to, or in conjunction with, the Government's centralized System for Award Management (SAM). Taking this important step would greatly improve the contractor disclosure process and reduce burden for both contractors and the Government in the following ways:

1. No more cumbersome Microsoft Word document that takes more time to format than to complete;
2. An electronic database would automatically track all changes made by contractors, which would make review easier for both contractors and the Government;
3. Because this system would include the contractor's cognizant contracting officer(s), it could automatically notify them of Disclosure Statement revisions;
4. The system could be used for notifications so that even if Disclosure Statements have not been updated, the Government is aware of all new cost accounting practices;

5. Government auditors could easily verify the sufficiency of contractors' annual disclosure of cost accounting practice changes;

6. On-line tracking of cost accounting practice changes would improve visibility into and status of cost impact proposals and resolutions;

7. Government-wide centralized access would allow PCOs to verify the status of Disclosure Statement submissions and adequacy determinations.

Response: The Councils appreciate this analysis and perspective, and will consult with the CASB on the matter, which falls outside the scope of the current information collection. There are no changes to the burden estimates based on this comment.

**C. Annual Reporting Burden**

Number of Respondents: 903.

Responses Per Respondent: 3.

Total Responses: 2709.

Average Burden Hours Per Response: 175.

Total Burden Hours: 474,075.

**OBTAINING COPIES OF PROPOSALS:** Requesters may obtain a copy of the information collection documents from the General Services Administration, Regulatory Secretariat Division (MVCB), 1800 F Street, NW, Washington, DC 20405,

telephone 202-501-4755. Please cite OMB Control Number 9000-0129, Cost Accounting Standards Administration, in all correspondence.

William Clark,  
Director,  
Office of Governmentwide  
Acquisition Policy,  
Office of Acquisition Policy,  
Office of Governmentwide Policy.

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