Lunch n Learn 14 MAR 18
Cost Accounting Standards (CAS) - Applicability

• Session will start at 1230 EDT (1130 CDT).
• Audio will be through DCS – there will be a sound check 30 minutes prior to the session. Everyone but the presenter is muted please.
• Download the Presentation:
  – Click on the Bold Arrow pointing downward just below the lower left hand corner of the presentation.
• Questions are welcome during the session, please type them into the DCS Chat Window.

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CAS APPLICABILITY

• CAS applicability is a two-step process
• The first step is whether CAS applies to the contract/subcontract being awarded
• If CAS does not apply there is no CAS coverage
• If CAS applies, the second step is whether it is full CAS coverage (19 standards) or modified CAS coverage (4 standards)
• CAS applicability is at the time of award
• The contract value is utilized – base year plus all options
• Contract modifications do not change whether CAS is applicability
Expanded graphic provided in DAU Course CON252 – Fundamentals of Cost Accounting Standards (CAS)

All 19 CAS Standards are covered in detail in CON252 plus Disclosure Statements
### EXEMPTIONS TO CAS
(TOP RIGHT GRAPHIC FROM PREVIOUS CHART)

<table>
<thead>
<tr>
<th>Exemption Description</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiated government contracts/subcontracts for less than TINA Threshold</td>
<td>9903.201-1(b)(2)</td>
<td>48 CFR 9903.201-1(b)(2)</td>
</tr>
<tr>
<td>Sealed bid contracts</td>
<td>9903.201-1(b)(1)</td>
<td>48 CFR 9903.201-1(b)(1)</td>
</tr>
<tr>
<td>Contracts/sub-contracts with small businesses</td>
<td>9903.201-1(b)(3)</td>
<td>48 CFR 9903.201-1(b)(3)</td>
</tr>
<tr>
<td>Contracts/sub-contracts with a foreign government, with their agents or instrumentalities. Exemption does not extend to contracts/subcontracts with foreign concern which is subject to CAS 401/402</td>
<td>9903.201-1(b)(4)</td>
<td>48 CFR 9903.201-1(b)(4)</td>
</tr>
<tr>
<td>Contracts/subcontracts where price is set by law or regulation</td>
<td>9903.201-1(b)(5)</td>
<td>48 CFR 9903.201-1(b)(5)</td>
</tr>
<tr>
<td>Firmed-fixed price, fixed price with economic adjustment (provided that price adjustment is not based on actual costs), time and materials, labor-hour contracts and subcontracts for acquisition of commercial items.</td>
<td>9903.201-1(b)(6)</td>
<td>48 CFR 9903.201-1(b)(6)</td>
</tr>
<tr>
<td>Contracts/subcontracts under the NATO PHM Ship program to be performed outside of the United States by a foreign concern</td>
<td>9903.201-1(b)(13)</td>
<td>48 CFR 9903.201-1(b)(13)</td>
</tr>
<tr>
<td>Contracts/subcontracts less than $7.5 million, provided at the time of award, the contractor/business unit is not currently performing any CAS-covered contracts/subcontracts of $7.5 Million or more</td>
<td>9903.201-1(b)(7)</td>
<td>48 CFR 9903.201-1(b)(7)</td>
</tr>
<tr>
<td>Contracts/subcontracts awarded on the basis of adequate price competition without submission of certified cost &amp; pricing data</td>
<td>9903.201-1(b)(15)</td>
<td>48 CFR 9903.201-1(b)(15)</td>
</tr>
</tbody>
</table>
EXEMPTIONS TO CAS

CAS Exemptions FAR Appendix-01: 9903.201-1(b)

• First exemption: Sealed bid
• Second exemption: Negotiated contracts/subcontracts less than TINA thresholds
• Third exemption: Contracts/subcontracts with small business
• Fourth exemption: Contracts/subcontracts with foreign governments or their agents
• Fifth exemption: Contracts/subcontracts price is set by law or regulation
CAS Exemptions FAR Appendix-01: 9903.201-1(b)

• Sixth exemption: Firm-fix priced, fix-price with EPA (provided price adjustment is not based on actual costs incurred), T&M, and labor-hour contracts/subcontracts for the acquisition of commercial items
• Seventh exemption: Contracts/subcontracts of less than $7.5 million, provided business unit is not currently performing any CAS covered contract/subcontract valued at $7.5 million or greater
• Eighth exemption: Subcontractors under the NATO PHM Ship program to be performed outside the United States by a foreign concern
• Ninth exemption: Firm-fix priced contracts/subcontracts awarded on the basis of adequate price competition without submission of cost or pricing data
EXEMPTIONS TO CAS - CONTINUE

• If *any* of the exemptions applies to the contract/subcontract being awarded, then CAS does not apply contract/subcontract being awarded. CAS applicability applies/does not apply at contract/subcontract award. Contract modifications does not affect CAS applicability.

• If *none* of the exemptions apply to the contract/subcontract being awarded, then a two (2) test is applied. Only one of the two part test has to be true.
CAS TWO-PART TEST

• Is the current award $7.5 million or more?
  • If the answer is yes, then CAS applies. If the answer is no, then go to the second part of the 2-part test

OR

• Is the business unit currently performing a CAS-covered contract or subcontract valued at $7.5 million or more?
  • If the answer is yes, then CAS applies. If the answer is no, then go to the second part of the 2-part test
Example 01: On Feb 01, 2018, a business unit is awarded a contract with the negotiated price of $700,000. Is the contract subject to CAS?

Answer: No, the contract is below the TINA threshold.
**Example 02:** On Feb 01, 2018, a small business is awarded a three year contract. On Feb 01, 2019, the small business graduates from the small business program. Did the CAS coverage change?

**Answer:** No, CAS applicability applies once when the contract/subcontract is awarded.
Example 03: On Jan 15, 2018, a business unit is awarded a firm-fix price contract for a commercial item. Is the contract subject to CAS?

Answer: No, the contract is firm-fix priced for a commercial item.
Example 04: On Feb 15, 2018, a business unit is awarded a competitive firm-fix priced contract. Because of adequate price competition, the KO did not require certified cost and pricing data. Is the contract subject to CAS?

Answer: No, because the firm-fix priced contract was awarded on the basis of adequate price competition.
Example 05: On Feb 15, 2018, a business unit is awarded a fixed price contract with an EPA adjustment. The adjustment is based on changes in the contractor’s actual direct labor rates between the date of contract award and the end of the first year of contract performance. Assuming no other exemptions apply, is the contract subject to CAS?

Answer: Yes, the EPA is based on the contractor’s costs (changes in actual direct labor rates).
Example 06: On Nov 15, 2017, a business unit is awarded a three-year $8 million CAS covered contract. On Jan 15, 2018, the business unit is awarded a $800,000 contract. Assuming that there are no CAS exemptions for the Jan 15 contract, is the $800,000 contract subject to CAS?

Answer: Yes, the business unit is currently performing a CAS coverage contract ($8 million), the $800,000 contract is above the TINA threshold, and no other CAS exemptions apply.
Example 07: On Feb 01, 2018, a business unit is awarded a $10 million sole-source firm-fix priced contract. The government KO determined that certified cost and pricing data was not required. Is the contract subject to CAS?

Answer: Yes, assuming there are no other CAS exemptions. The contract was awarded as a sole-source, not competition.
Example 08: On Jan 15, 2018, a business unit is awarded a competitive FPIF contract for $8 million. The government KO determined that certified cost and pricing data was not required. Is the contract subject to CAS?

Answer: Yes, assuming there are no other CAS exemptions. The contract is an FPIF contract, which is not one of the exemptions.
Example 09: On Nov 15, 2017, a business unit is awarded a three-year $8 million CAS covered contract. On Feb 01, 2018, there was a $800,000 contract modification, reducing the price of the contract from $8 million to $7.2 million. Does this contract modification change the CAS applicability? Does this contract modification have an impact on contracts received (by the business unit) after Feb 01, 2018?

Answer: No, CAS applies when the contract is awarded. Yes, the contract modification does have an impact for contracts awarded after Feb 01, 2018.
Example 10: On Nov 15, 2017, a business unit is awarded a three-year $7 million contract; the contract has a CAS exemption and therefore CAS does not apply. On Feb 01, 2018, there was a $900,00 contract modification, increasing the price of the contract from $7 million to $7.9 million. Does this contract modification change the CAS applicability? Does this contract modification have an impact on contracts received (by the business unit) after Feb 01, 2018?

Answer: No, CAS applies when the contract is awarded. Yes, the contract modification does have an impact for contracts awarded after Feb 01, 2018.
• If CAS does not apply for the prime contract, then CAS does not apply to the subcontract(s)

• If CAS applies to the prime contract, CAS may or may not apply to the subcontract(s). The prime contractor needs to review the nine exemptions, if an exemption applies (i.e. small business, firm-fix price adequate price competition, etc.), then the subcontract is not subject to CAS coverage. If none of the exemptions apply, then the subcontract is subject to CAS.
Example 11: On Nov 01, 2017, a business unit is awarded a five-year $75 million contract that is CAS covered. The business unit, in accordance with its subcontracting plan awarded a $10 million subcontract to a small business. Is the subcontract subject to CAS?

Answer: No, small business is an exemption to CAS.
Example 12: On Nov 01, 2017, a business unit is awarded a five-year $75 million contract that is CAS covered. The business unit, awarded a sole-source $8 million subcontract to a large business. Is the subcontract subject to CAS?

Answer: Yes, assuming no other exemptions apply, the subcontract is CAS covered.
DAU CON252 – Fundamentals of Cost Accounting Standards course overview

DAU's CON252 course is designed to assist students in understanding contractor's cost accounting practices and to provide guidance in the event students encounter Cost Accounting Standards (CAS) issues. In understanding why the Standards are necessary, students will begin with the history of the Cost Accounting Standards Board. Students will then understand what the standards are and how they apply to contracts. Then the class overviews each of the Standards, providing students with examples on how those standards are to be followed. The class also provides a basic understanding of CAS Disclosure Statements and changes in cost accounting practices and cost impact statements. The goal of the class is to enable each student to take the class's text and the lessons learned from course discussions back to their office and apply them to daily contract administration issues.