

COST ACCOUNTING STANDARDS
(MODIFIED COVERAGE)

I. **DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES**

- (a) The Subcontractor, in connection with this subcontract, shall:
- (1) Comply with the requirements of 48 CFR 9904.401, Consistency in Estimating, Accumulating and Reporting Costs; 48 CFR 9904.402, Consistency in Allocating Costs Incurred for the Same Purpose; 48 CFR 9904.405, Accounting for Unallowable Costs; and 48 CFR 9904.406, Cost Accounting Standard-Cost Accounting Period, in effect on the date of award of this subcontract, as indicated in 48 CFR Part 9904.
 - (2) (CAS-covered Contracts and Subcontracts Only) If it is a business unit of a company required to submit a Disclosure Statement, disclose in writing its cost accounting practices as required by 48 CFR 9903.202-1 through 9903.202-5. If the Subcontractor has notified the Fermilab Contract Administrator that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside of Fermilab or the U.S. Government.
 - (3)
 - (i) Follow consistently the Subcontractor's cost accounting practices. A change to such practices may be proposed, however, by either Fermilab or the Subcontractor and the Subcontractor agrees to negotiate with the Fermilab Contract Administrator the terms and conditions under which a change may be made. After the terms and conditions under which the change is to be made have been agreed to, the change must be applied prospectively to this subcontract, and the Disclosure Statement, if affected, must be amended accordingly.
 - (ii) The Subcontractor shall, when the parties agree to a change to a cost accounting practice and the finding required in 48 CFR 9903.201-6(b) has been made, that the change is desirable and not detrimental to the interests of Fermilab or the U.S. Government, negotiate an equitable adjustment as provided in the Changes clause of this subcontract. In the absence of the required finding, no agreement may be made under this subcontract clause that will increase costs paid by Fermilab or the U.S. Government.
 - (4) Agree to an adjustment of the subcontract price or cost allowance, as appropriate, if the Subcontractor or a sub-subcontractor fails to comply with the applicable CAS or to follow any cost accounting practice, and such failure results in any increased costs paid by Fermilab or the U.S. Government. Such adjustment shall provide for recovery of the increased costs to Fermilab or the U.S. Government, together with interest thereon computed at the annual rate of interest established under the Internal Revenue Code of 1986 (26 U.S.C 6621), from the time the payment by Fermilab was made to the time the adjustment is effected.
- (b) The Subcontractor shall permit any authorized representatives of Fermilab and the U.S. Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.

- (c) The Subcontractor shall include in all negotiated sub-subcontracts, which the Subcontractor enters into, the substance of this clause and shall require such inclusion in all other sub-subcontracts of any tier, except that:
 - (1) If the sub-subcontract is awarded to a business unit which pursuant to 48 CFR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in 48 CFR 9903.201-4 shall be inserted.
 - (2) This requirement shall apply only to negotiated sub-subcontracts in excess of \$500,000.
 - (3) The requirement shall not apply to negotiated sub-subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR 9903.201-1.

II. ADMINISTRATION OF COST ACCOUNTING STANDARDS

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this subcontract, the Subcontractor shall take the steps outlined in paragraphs (a) through (g) of this clause:

- (a) Submit to the Fermilab Contract Administrator a description of any cost accounting practice change, the total potential impact of the change on contracts and subcontracts containing a CAS clause, and a general dollar magnitude of the change which identifies the potential shift of costs between CAS-covered contracts and subcontracts by contract type (i.e., firm-fixed-price, incentive, cost-plus-fixed-fee, etc.) and other subcontractor business activity. As related to CAS-covered contracts and subcontracts, the analysis should identify the potential impact on funds of the various Agencies/Departments (i.e., Department of Energy, National Aeronautics and Space Administration, Army, Navy, Air Force, other Department of Defense, other Government) as follows:
 - (1) For any change in cost accounting practices required in accordance with subparagraph (a)(3) and subdivision (a)(4)(i) of the clause at FAR 52.230-2, Cost Accounting Standards; or subparagraph (a)(3) and subdivisions (a)(4)(i) or (a)(4)(iv) of the clause at FAR 52.230-5, Cost Accounting Standards-Educational Institution; within 60 days (or such other date as may be mutually agreed to) after award of a contract or subcontract requiring this change.
 - (2) For any change in cost accounting practices proposed in accordance with subdivision (a)(4)(ii) or (iii) of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or with subparagraph (a)(3) of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices; not less than 60 days (or such other date as may be mutually agreed to) before the effective date of the proposed change.
 - (3) For any failure to comply with an applicable CAS or to follow a disclosed practice (as contemplated by paragraph (a)(5) of the clause at FAR 52.230-2, Cost Accounting Standards and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or by subparagraph (a)(4) of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices):
 - (i) Within 60 days (or such other date as may be mutually agreed to) after the date of agreement with the initial finding of noncompliance, or
 - (ii) In the event of Subcontractor disagreement with the initial finding of noncompliance, with 60 days of the date the Subcontractor is notified of the determination of noncompliance.

- (b) After a determination of materiality, submit a cost impact proposal in the form and manner specified by the Fermilab Contract Administrator within 60 days (or such other date as may be mutually agreed to) after the date of determination of the adequacy and compliance of a change submitted pursuant to paragraph (a) of this clause. The cost impact proposal shall be in sufficient detail to permit evaluation, determination, and negotiation of the cost impact upon each separate CAS-covered contract and subcontract.
 - (1) Cost impact proposals submitted for changes in cost accounting practices required in accordance with subparagraph (a)(3) and subdivision (a)(4)(i) of the clause at FAR 52.230-2, Cost Accounting Standards; or subparagraph (a)(3) and subdivisions (a)(4)(i) or (a)(4)(iv) of the clause at FAR 52.230-5, Cost Accounting Standards-Educational Institution; shall identify the applicable standard or cost principle and all contracts and subcontracts containing the clauses entitled Cost Accounting Standards or Cost Accounting Standards-Educational Institution, which have an award date before the effective date of that standard or cost principle.
 - (2) Cost impact proposals submitted for any change in cost accounting practices proposed in accordance with subdivisions (a)(4)(ii) or (iii) of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or with subparagraph (a)(3) of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices; shall identify all contracts and subcontracts containing the clauses at FAR 52.230-2, Cost Accounting Standards, FAR 52.230-5, Cost Accounting Standards-Educational Institution, and FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices.
 - (3) Cost impact proposals submitted for failure to comply with an applicable CAS or to follow a disclosed practice as contemplated by subparagraph (a)(5) of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards-Educational Institution; or by subparagraph (a)(4) of the clause entitled Disclosure and Consistency of Cost Accounting Practices, shall identify the cost impact on each separate CAS-covered contract and subcontract from the date of failure to comply until the noncompliance is corrected.
- (c) If the submissions required by paragraphs (a) and (b) of this clause are not submitted within the specified time, or any extension granted by the Fermilab Contract Administrator, an amount not to exceed 10 percent of each subsequent amount determined payable related to the Subcontractor's CAS-covered prime contracts, up to the estimated general dollar magnitude of the cost impact, may be withheld until such time as the required submission has been provided in the form and manner specified by the Fermilab Contract Administrator.
- (d) Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with subparagraphs (a)(4) and (a)(5) of the clauses at FAR 52.230-2 and FAR 52.230-5; or with subparagraphs (a)(3) and (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause at FAR 52.230-3.
- (e) For all sub-subcontracts subject either to the clauses at FAR 52.230-2, 52.230-3, or 52.230-5 -
 - (1) so state in the body of the sub-subcontract, in the letter of award, or both (self-deleting clauses shall not be used); and
 - (2) include the substance of this clause in all negotiated sub-subcontracts. In addition, within 30 days after award of the sub-subcontract, submit the following information to the

Subcontractor's cognizant contract administration office for transmittal to the contract administration office cognizant of the sub-subcontractor's facility:

- (i) Sub-subcontractor's name and sub-subcontract number;
 - (ii) Dollar amount and date of award;
 - (iii) Name of Subcontractor making the award; and
 - (iv) Any changes the sub-subcontractor has made or proposes to make to cost accounting practices that affect prime contracts, subcontracts, or sub-subcontracts containing the clauses at FAR 52.230-2, 52.230-3, or 52.230-5, unless these changes have already been reported.
- (f) Notify the Fermilab Contract Administrator in writing of any adjustments required to sub-subcontracts under this subcontract and agree to an adjustment, based on them, to this subcontractor's price or estimated cost and fee. This notice is due within (30) days after proposed sub-subcontract adjustments are received and shall include a proposal for adjusting the higher tier subcontract or prime contract appropriately.
- (g) For sub-subcontracts containing the clause at FAR 52.230-2 or 52.230-5, require the sub-subcontractor to comply with all Standards in effect on the date of award or of final agreement on price, as shown on the sub-subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.