

30.605 Processing noncompliances.

(a) *General.* Prior to making any contract price or cost adjustments under the applicable paragraph (s) addressing *noncompliance* at 52.230-2, 52.230-3, or 52.230-5, the CFAO *shall* determine that-

(1) The contemplated contract price or cost adjustments will protect the Government from the payment of increased costs, in the aggregate;

(2) The net effect of the contemplated contract price or cost adjustments will not result in the recovery of more than the increased costs to the Government, in the aggregate;

(3) The net effect of any *invoice* adjustments made to correct an estimating *noncompliance* will not result in the recovery of more than the increased costs paid by the Government, in the aggregate; and

(4) The net effect of any interim and final voucher billing adjustments made to correct a cost accumulation *noncompliance* will not result in the recovery of more than the increased cost paid by the Government, in the aggregate.

(b) Notice and determination.

(1) Within 15 days of receiving a report of alleged *noncompliance* from the auditor, the CFAO *shall*-

(i) Notify the auditor that the CFAO disagrees with the alleged *noncompliance*; or

(ii) Issue a notice of potential *noncompliance* to the contractor and provide a copy to the auditor.

(2) The notice of potential *noncompliance shall*-

(i) Notify the contractor *in writing* of the exact nature of the *noncompliance*; and

(ii) Allow the contractor 60 days or other mutually agreeable date to-

(A) Agree or submit reasons why the contractor considers the existing practices to be in compliance; and

(B) Submit rationale to support any written statement that the cost impact of the *noncompliance* is immaterial.

(3) The CFAO *shall*-

(i) If applicable, review the reasons why the contractor considers the existing practices to be compliant or the cost impact to be immaterial;

(ii) Make a determination of compliance or *noncompliance* consistent with 1.704; and

(iii) Notify the contractor and the auditor *in writing* of the determination of compliance or *noncompliance* and the basis for the determination.

(4) If the CFAO makes a determination of *noncompliance*, the CFAO *shall* follow the procedures in paragraphs (c) through (h) of this section, as appropriate, unless the CFAO also determines the cost

impact is immaterial. If immaterial, the CFAO *shall*-

(i) Inform the contractor *in writing* that-

(A) The *noncompliance* should be corrected; and

(B) If the *noncompliance* is not corrected, the Government reserves the right to make appropriate contract adjustments *should* the *noncompliance* become material in the future; and

(ii) Conclude the cost-impact process with no contract adjustments.

(c) Correcting *noncompliances*.

(1) The clause at 52.230-6 requires the contractor to submit a description of any cost accounting practice change needed to correct a *noncompliance* within 60 days after the earlier of-

(i) Agreement with the CFAO that there is a *noncompliance*; or

(ii) Notification by the CFAO of a determination of *noncompliance*.

(2) The CFAO *should* review the proposed change to correct the *noncompliance* concurrently for adequacy and compliance (see 30.202-7). The CFAO *shall*-

(i) When the description of the change is both adequate and compliant-

(A) Notify the contractor *in writing*;

(B) Request that the contractor submit by a specified date a general dollar magnitude (GDM) proposal, unless the CFAO determines the cost impact is immaterial; and

(C) Follow the procedures at paragraph (b)(4) of this section if the CFAO determines the cost impact is immaterial.

(ii) If the description of the change is inadequate, request a revised description of the new cost accounting practice; or

(iii) If the disclosed practice is noncompliant, notify the contractor *in writing* that, if implemented, the CFAO will determine the cost accounting practice to be noncompliant and process it accordingly.

(d) *General dollar magnitude proposal content*. The GDM proposal-

(1) *Shall* calculate the cost impact in accordance with paragraph (h) of this section;

(2) *May* use one or more of the following methods to determine the increase or decrease in contract and subcontract price or cost accumulations, as applicable:

(i) A representative sample of affected CAS-covered contracts and subcontracts affected by the *noncompliance*.

(ii) When the *noncompliance* involves cost accumulation, the change in indirect rates multiplied by the applicable base for *flexibly-priced contracts and subcontracts*.

(iii) Any other method that provides a reasonable approximation of the total increase or decrease in

contract and subcontract prices and cost accumulations;

(3) The contractor *may* submit a DCI proposal in lieu of a GDM proposal provided the DCI proposal is in accordance with paragraph (f) of this section.

(4) *May* be in any format acceptable to the CFAO but, as a minimum, *shall* include the following data:

(i) The total increase or decrease in contract and subcontract prices and cost accumulations, as applicable, by *Executive agency*, including any impact the *noncompliance* may have on contract and subcontract incentives, fees, and profits, for each of the following groups:

(A) *Fixed-price contracts and subcontracts.*

(B) *Flexibly-priced contracts and subcontracts.*

(ii) The increased or decreased costs to the Government for each of the following groups:

(A) *Fixed-price contracts and subcontracts.*

(B) *Flexibly-priced contracts and subcontracts.*

(iii) The total overpayments and underpayments for fixed-price and flexibly-priced contracts made by the Government during the period of *noncompliance*; and

(5) When requested by the CFAO, *shall* identify all affected CAS-covered contracts and subcontracts.

(e) *General dollar magnitude proposal evaluation.* The CFAO *shall* promptly evaluate the GDM proposal. If the cost impact is immaterial, the CFAO *shall* follow the requirements in paragraph (b)(4) of this section. Otherwise, the CFAO *shall*-

(1) Negotiate and resolve the cost impact (see [30.606](#)). If necessary, the CFAO *may* request the contractor submit a revised GDM proposal by a specified date, with specific additional data needed to resolve the cost impact (*e.g.*, an expanded sample of affected CAS-covered contracts and subcontracts or a revised method of computing the increase or decrease in contract and subcontract price and cost accumulations); or

(2) Request that the contractor submit a DCI proposal by a specified date if the CFAO determines that the GDM proposal is not sufficient to resolve the cost impact.

(f) *Detailed cost-impact proposal.* If the contractor is required to submit a DCI proposal, the CFAO *shall* promptly evaluate the DCI proposal and follow the procedures at [30.606](#) to negotiate and resolve the cost impact. The DCI proposal-

(1) *Shall* calculate the cost impact in accordance with paragraph (h) of this section.

(2) *Shall* show the increase or decrease in price and cost accumulations, as applicable for each affected CAS-covered contract and subcontract unless the CFAO and contractor agree to-

(i) Include only those affected CAS-covered contracts and subcontracts having-

(A) Contract and subcontract values exceeding a specified amount when the *noncompliance* involves estimating costs; and

(B) Incurred costs exceeding a specified amount when the *noncompliance* involves accumulating costs; and

(ii) Estimate the total increase or decrease in price and cost accumulations for all affected CAS-covered contracts and subcontracts using the results in paragraph (f)(2)(i) of this section;

(3) *May* be in any format acceptable to the CFAO but, as a minimum, *shall* include the information in paragraph (d)(4) of this section; and

(4) When requested by the CFAO, *shall* identify all affected CAS-covered contracts and subcontracts.

(g) *Interest*. The CFAO *shall*-

(1) Separately identify interest on any increased cost paid, in the aggregate, as a result of the *noncompliance*;

(2) Compute interest from the date of overpayment to the date of repayment using the rate specified in 26 U.S.C. 6621(a)(2).

(h) *Calculating cost impacts*. The cost impact calculation *shall*-

(1) Include all affected CAS-covered contracts and subcontracts regardless of their status (*i.e.*, open or closed) or the fiscal year in which the costs are incurred (*i.e.*, whether or not the *final indirect cost rates* have been established);

(2) Combine the cost impact for all affected CAS-covered contracts and subcontracts for all *segments* if the effect of a change results in costs flowing between those *segments*;

(3) For *noncompliances* that involve estimating costs, determine the increased or decreased cost to the Government for *fixed-price contracts and subcontracts* as follows:

(i) When the negotiated contract or subcontract price exceeds what the negotiated price would have been had the contractor used a compliant practice, the difference is increased cost to the Government.

(ii) When the negotiated contract or subcontract price is less than what the negotiated price would have been had the contractor used a compliant practice, the difference is decreased cost to the Government;

(4) For *noncompliances* that involve accumulating costs, determine the increased or decreased cost to the Government for *flexibly-priced contracts and subcontracts* as follows:

(i) When the costs that were accumulated under the noncompliant practice exceed the costs that would have been accumulated using a compliant practice (from the time the noncompliant practice was first implemented until the date the noncompliant practice was replaced with a compliant practice), the difference is increased cost to the Government.

(ii) When the costs that were accumulated under the noncompliant practice are less than the costs that would have been accumulated using a compliant practice (from the time the noncompliant practice was first implemented until the date the noncompliant practice was replaced with a compliant practice) the difference is decreased cost to the Government;

(5) Calculate the total increase or decrease in contract and subcontract incentives, fees, and profits

associated with the increased or decreased costs to the Government in accordance with 48 CFR 9903.306(c). The associated increase or decrease is based on the difference between the negotiated incentives, fees, and profits and the amounts that would have been negotiated had the contractor used a compliant practice;

(6) Determine the cost impact of each *noncompliance* that affects both cost estimating and cost accumulation by combining the cost impacts in paragraphs (h)(3), (h)(4), and (h)(5) of this section; and

(7) Calculate the increased cost to the Government in the aggregate.

(i) *Remedies*. If the contractor does not correct the *noncompliance* or submit the proposal required in paragraph (d) or (f) of this section within the specified time, or any extension granted by the CFAO, the CFAO *shall* follow the procedures at 30.604(i).

Parent topic: Subpart 30.6 - CAS Administration