



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR FORCE MATERIEL COMMAND  
WRIGHT-PATTERSON AIR FORCE BASE, OHIO

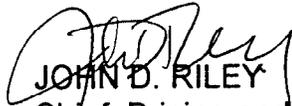
14 JUN 1994

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PKF  
4375 Chidlaw Road, Suite 6  
Wright-Patterson AFB OH 45433-5006

SUBJECT: Cost Accounting Standards (CAS) Thresholds

1. The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards Board, has revised the applicability, thresholds and procedures for the application of Cost Accounting Standards (CAS) coverage to negotiated government contracts. This action, which in part raises the full CAS coverage dollar threshold from \$10 million to \$25 million, was published as a final rule in the 4 Nov 93 Federal Register at page 58798. Other changes include raising the "trigger contract" threshold to \$1 million from \$500,000 as well as now requiring contractors subject to modified CAS coverage to comply with CAS 405 and 406 requirements in addition to those previously mandated by CAS 401 and 402.
2. FAR Part 30, Appendix B and the prescribed contract clauses at FAR Part 52 have not yet been modified to reflect the changes implemented by the CAS Board. However, the CAS applicability requirements and dollar thresholds set forth in 48 Code of Federal Regulations (CFR) Part 9903 are to be used in all contract actions. A copy of the SAF/AQCP Memorandum, 10 Jun 94, transmitting the final rule as published in the Federal Register is attached to this memorandum.
3. My action officer for this effort is Mr. Clifford P. Goodhue, HQ AFMC/PKF, DSN 787-6861.

  
JOHN D. RILEY

Chief, Pricing and Finance Division  
Directorate of Contracting

Attachment  
SAF/AQCP Memo, 10 Jun 94

Atch 94-14I (FAR 30) Post to FAR 30, Appendix B (9903.201.2) by circling the reference and noting in the margin: "See 70-41, atch 94-14I. Then file this atch behind the sups to FAR 30.



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC



OFFICE OF THE ASSISTANT SECRETARY

10 JUN 1994

MEMORANDUM FOR HQ AFMC/PKF

FROM: SAF/AQCP  
1060 Pentagon RM 4C251  
Washington DC 20330-1060

SUBJECT: Cost Accounting Standards (CAS) Thresholds

FAR 30.201 and the cover page of FAR Appendix B state that 48 Code of Federal Regulations (CFR) Chapter 99 are the official codified CAS rules and regulations. (FAR Appendix B is provided as a service for the users of the FAR loose-leaf edition.) Therefore, the CAS thresholds in 48 CFR 9903.201-2, as published in 58 Federal Register 58798 *et seq.* (Atch), are to be used even though FAR Appendix B has not yet been updated.

ABNER C. YOUNG  
CHIEF, PRICING AND CONTRACT  
ADMINISTRATION DIVISION  
DEPUTY ASSISTANT SECRETARY (CONTRACTING)  
ASSISTANT SECRETARY (ACQUISITION)

Atch  
58 Federal Register  
58798 *et seq.*

period of performance through a significant, discrete milestone before PDR with a priced option for the effort from that milestone through PDR. The down-selection would be planned for the earlier milestone, the PDR option exercised for only the winner of the down-selection, and formal Phase C/D performance initiated at completion of the PDR option. In this scenario, the earlier milestone must be carefully chosen to ensure successful accomplishment of both program technical objectives and all activities leading to completion of the down-selection process. That is, design maturity at that point must be sufficient to accommodate an informed down-selection decision leading to successful accomplishment of Phase C/D.

(f) In other program strategies, it may be both affordable and technically desirable to have all the Phase B contractors complete PDR. In these cases, the contract should be structured as a basic effort through PDR, down-selection made at that point, and Phase C/D performance beginning thereafter.

(g) Regardless of the contract structure that is appropriate given the program objectives, the schedule leading to down-selection must also be carefully crafted and followed. This schedule must allow ample time for synthesizing the Phase C/D down-selection, responding to any other offeror's intention to submit a proposal, generation of whatever information is necessary for Phase C/D proposals (e.g., final technical requirements, proposal preparation instructions, and evaluation factors), submission and evaluation of the proposals, negotiation, and award. In some cases, the earliest of these activities will commence shortly after Phase B award. However, unless these activities are planned and executed in reasonable time periods to accommodate timely Phase C/D award, many of the benefits associated with the progressive competition technique, or any other down-selection strategy, will go unrealized.

#### 8. Requesting Phase C/D Proposals

(a) Although a new, formal solicitation is normally not issued for Phase C/D when using the progressive competition technique, Phase C/D proposals must be formally requested and the offerors given all information necessary to submit a proposal. The preferred approach for requesting Phase C/D proposals is by letter. This letter shall include the following:

(1) A specific due date for the Phase C/D proposals along with a statement that FAR 52.215-70, Late Submissions, Modifications, and Withdrawals of Proposals, applies to this proposal due date.

(2) Complete instructions for proposal preparation, including page limitations, if any.

(3) Final evaluation factors.

(4) Any statement of work, specification, or other contract requirements that have changed since the Phase B solicitation.

(5) All required clause changes applicable to new work effective since Phase B contract award.

(6) Any representations or certifications, if wired.

(7) Any other required contract updates. (E.g., Phase C/D small and small disadvantaged subcontracting goals.)

(b) Although the exception and not the rule, there are circumstances in which a new, formal solicitation must be issued for Phase C/D. Significant changes in paragraphs 8(a) (3) and (4) of this appendix, in particular, require a careful assessment as to whether a new solicitation should be issued. Determining the significance of changes is often subjective and difficult, however. These determinations should only be made after coordinated consultation among procurement, legal, and technical personnel. Some cases will be particularly clouded, and no clear resolution of the magnitude of the changes can be made. In those instances, the issue should be resolved on the side of caution and a new, formal solicitation issued.

#### 9. Phase C/D Award

(a) As stated in paragraph 6(c) of this appendix, evaluation of Phase C/D proposals will normally be accomplished in accordance with formal SEB procedures. Phase C/D award may be made by either a new contract, or by a new work supplemental agreement to the existing Phase B contracts.

(b) Keep in mind that, no matter what is included in the original solicitation or Phase B contracts regarding the progressive competition technique, or any other alternative down-selection strategy, the Phase C/D effort is new work and not an in-scope change under the "Changes" clause, or any other clause, of the Phase B contract. If a supplemental agreement is used to implement Phase C/D, it shall cite the applicable "Phased Procurement" clause (either 1852.234-70 or 1852.234-71) included in the Phase B contracts as authority for award.

(c) Whether a new contract or new work supplemental agreement is used, the document must incorporate all applicable statutory and regulatory requirements (e.g., contract clauses) in effect as of its issuance. The Phase C/D award date is controlling and not the date of the Phase B awards.

(d) In addition, regardless of the time of Phase C/D award or the contract vehicle used to effect it, the Phase C/D period of performance should commence only upon completion of Phase B tasks.

[FR Doc. 93-26910 Filed 11-3-93; 8:45 am]  
BILLING CODE 7510-01-M

### OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Procurement Policy

48 CFR Part 9903

Cost Accounting Standards Board; Applicability and Thresholds for Cost Accounting Standards Coverage

AGENCY: Cost Accounting Standards Board, Office of Federal Procurement Policy, OMB.

ACTION: Final rule.

SUMMARY: The Office of Federal Procurement Policy, Cost Accounting

Standards Board, is revising applicability, thresholds and procedures for the application of the Cost Accounting Standards (CAS) to negotiated government contracts. This rulemaking is authorized pursuant to section 26 of the Office of Federal Procurement Policy Act. The Board is taking action on this topic in order to adjust CAS applicability requirements and dollar thresholds to levels reflecting experience with price inflation since the thresholds were last promulgated by the previous Board on September 12, 1977. The Board is also changing the criteria for determining which Standards apply at different threshold levels and the concept of what constitutes modified coverage, and, the criteria that trigger full CAS coverage.

EFFECTIVE DATE: November 4, 1993.

FOR FURTHER INFORMATION CONTACT: Richard C. Loeb, Executive Secretary, Cost Accounting Standards Board (telephone: 202-395-3254).

#### SUPPLEMENTARY INFORMATION:

##### A. Background

On September 12, 1977, the prior Cost Accounting Standards Board (CASB) promulgated rules that exempted certain types of government contractors from the full impact of the application of the Cost Accounting Standards (CAS) to all of their otherwise CAS covered contracts and subcontracts. This regulation issued by the prior CASB (formerly part 332 of that Board's rules (4 CFR 332), entitled "Modified Contract Coverage," was designed to partially address the problems of application of CAS to smaller government contractors, as well as the application of CAS to those contractors for whom government business represented only a relatively small share of total sales volume. The impetus for the development of the concept of modified CAS coverage was the concern expressed at the time, that some of these firms (principally smaller arms and non-government segments of major contractors) were avoiding bidding on government contracts because of the perceived burdens associated with the administration of CAS requirements. See Preamble A to CAS Part 332, 42 FR 45625, Sept. 12, 1977.

The previous requirement for modified CAS coverage appearing at 48 CFR 9903.201-2, entitled "Types of CAS coverage" provided:

(b) *Modified coverage.* (1) Modified coverage requires only that the contractor comply with Standard 9903.401, Consistency in Estimating, Accounting and Reporting Costs, and Standard 9903.404, Consistency in Allocating Costs Incurred for the Same

Purpose. Modified, rather than full, CAS coverage may be applied to a covered contract of less than \$10 million awarded to a business unit that received less than \$10 million in CAS-covered contracts in the immediately preceding cost accounting period if the sum of such awards was less than 10 percent of the business unit's total sales during that period \* \* \*

Additional provisions of this section, as well as § 9903.202 of the Board's rules, entitled "Disclosure requirements," provided that certain business units that were subject to modified coverage must still file Disclosure Statements (normally required only for contractors subject to full coverage) if the business unit is a part of a larger company that has other business units that are subject to full CAS coverage. See 57 FR 14157 (Apr. 17, 1992).

The regulations providing for modified CAS coverage were originally effective on March 10, 1978. In the intervening 15 years, the dollar threshold for modified CAS coverage had not been adjusted. However, prices as measured by the consumer price index have been adjusted by over 100% during this period. Presumably the issues giving rise to the development of the concept of modified CAS coverage in 1977 have been further highlighted during this time frame. The \$10 million threshold, once considered to be the mark at which a contractor had sufficient "covered" contracts to be subject to full CAS coverage, has been eroded by the effects of inflation. This dollar threshold no longer serves as an appropriate size standard that represents a fair demarcation applicable to CAS covered contractors.

The Board is now promulgating what it believes to be appropriate adjustments in the threshold for application of modified CAS coverage to covered contractors. In so doing, the CASB has been considering two principal issues: (1) The adjustment should properly reflect the effects of inflation, and (2) the adjustment should protect the interests of the Government while lessening the need to impose administrative burdens associated with CAS coverage on affected contractors.

#### Summary of Amendments

The Board's rule provides for a full CAS coverage threshold of \$25 million (actual inflation experience rounded to the nearest five million dollar increment). This represents an increase of two-and-one-half times the previous threshold, and approximates inflation experience as measured by the consumer price index from the last

quarter of calendar year 1977 through the last quarter of 1992.

In the Board's judgment, its internal study (which is based upon data available in the Federal Procurement Data System) has indicated that this threshold should provide adequate protection to the Government in the form of cumulative contract dollars remaining subject to full CAS coverage, while significantly reducing the number of contractors that will be required to comply with the full scope of the Standards and the requirement for submission of a Disclosure Statement. The results of the Board's study have also established that this increase in the threshold applicable to modified CAS coverage should result in an approximately 45-50% decrease in the number of contractors (or contractor business segments) subject to full CAS coverage, while the corresponding reduction in CAS-covered dollars will be only 5-6% from previous levels. These results would appear to indicate that a substantial reduction in the administrative requirements associated with full CAS coverage will be achieved for a significant number of contractors, and contractor segments, with only a relatively small decrease in the cumulative dollar value of contracts that are subject to the full scope of CAS coverage.

The Board is also increasing the dollar threshold associated with the so-called "trigger contract" in order to further decrease the administrative requirements associated with the application of full CAS coverage. Pursuant to this rule, the "trigger contract" will be that contract dollar threshold (\$1 million) associated with the initiation of full CAS coverage, for a particular contractor, based on the award of a single negotiated government contract. Under rules previously in effect (see 4 CFR 331.30(b)(7) and 332; also 48 CFR 30.201-1(b)(7) and 30.201-2(b)), the trigger contract threshold was a single negotiated government contract exceeding \$500,000. Once awarded a negotiated government contract of at least this dollar magnitude in a single cost accounting period, a government contractor's segment or business unit was subject to some form of CAS coverage (either full or modified) for all subsequently awarded negotiated contracts exceeding \$100,000. Public Law 100-679 raised the threshold for individual CAS contract coverage to \$500,000 (see CAS recodification, 57 FR 14148, Apr. 17, 1992), which had the effect of eliminating the \$500,000 trigger concept. Without an amendment, the minimum individual CAS contract threshold and the initiating CAS

"trigger contract" threshold are currently one and the same. Although the Board has reestablished the "trigger contract" concept in this rule, it has limited its application exclusively to full CAS coverage. Therefore, the application of modified CAS coverage to an individual contract or subcontract will be determined without reference to the triggering contract mechanism applicable to full CAS coverage.

#### B. Additional Amendments

During the past year, information came to the Board's attention, that indicated a need for redefining the concept of modified CAS coverage. Based on this information, the Board became concerned that some government contractors, particularly those who do work for certain civilian procurement agencies, may be including specifically identifiable unallowable costs in indirect cost pools which are reflected in the billings submitted to, and reimbursements received from Federal Government contracting agencies. Conformance with the requirements of CAS 9904.405 would restrict this practice. Therefore, the Board is adding CAS 9904.405 to the modified CAS coverage requirements. In the Board's view, it is fundamental that Government contractors, engaged in cost-based contracting, be able to comply with this basic cost accounting concept in the pricing and administration of contracts of any dollar value. In addition, the Board has determined that the inclusion of CAS 9904.406, "Cost Accounting Period," in the coverage criteria for modified CAS will significantly reduce the opportunity for selection of inconsistent cost accounting periods with respect to the costing and pricing of contracts. The Board believes that the principle enunciated in Standard 9904.406 is so basic as to be a reasonable requirement for all government contracts priced on the basis of cost. The Board also believes that CAS 9904.406 provides a form of protection to contractors in that it prohibits the use of inappropriate and/or inconsistent cost accounting periods in order to minimize indirect contract costs. As was noted in both the preamble to the Advance Notice of Proposed Rulemaking on this topic (see 57 FR 47438), and the preamble to the Notice of Proposed Rulemaking (see 58 FR 18363) the Board has been considering methods by which to achieve a greater degree of balance between those who would urge it to raise and/or tighten certain CAS applicability thresholds, and those who have argued that these same thresholds should not be revised. The Board's

consideration of this issue has led to this rule that applies the requirements of CAS 9904.401, 9904.402, 9904.405 and 9904.406 to all otherwise non-exempt awards exceeding \$500,000. This now constitutes the definition of modified CAS coverage.

In addition, through this rule, the Board is hereby eliminating the alternative "10 percent or more" sales test criterion for the initiation of full CAS coverage. The Board has taken this step in order to clarify and simplify the rules with respect to the initiation of full CAS coverage. The elimination of the percent of sales test also precludes the possibility that two contractors with the same amount of covered contracts would be subject to two different levels of coverage.

The approach to the issue of full and modified CAS coverage that is being promulgated by the Board seeks to balance cost versus benefits through an adjustment in CAS thresholds that would extend the applicability of a new definition of modified CAS coverage, while providing for higher cumulative contract dollar value thresholds applicable for so-called full CAS coverage.

The Board has also determined that the exemption paragraph appearing at § 9904.201-1(b)(15) should be expanded to eliminate the requirement for a separate Cost Accounting Standards Board waiver in circumstances where the relevant procuring agency has determined to waive the requirement for submission of certified cost or pricing data. The Board believes that adequate safeguards exist within the procuring agencies with respect to this issue so as to preclude the need for the approval of individual CAS contract waivers by the Board. The elimination of this requirement should significantly ease the administrative burdens (for both the Government and contractors/subcontractors) associated with obtaining CAS coverage exemptions in those instances where the agency has already waived the requirements of the Truth in Negotiations Act, Public Law 87-653.

Finally the Board has determined to adjust the requirements for disclosure by certain otherwise modified CAS-covered business segments that are required to disclose their cost accounting practices because they are affiliated with other business segments that are subject to full CAS coverage. The Board's final rule adopts a combined \$10 million and 30% sales test for determining whether disclosure is required for these otherwise modified

#### C. Paperwork Reduction Act

The Paperwork Reduction Act, Public Law 96-511, does not apply to this rule, because this rule imposes no paperwork burden on offerors, affected contractors and subcontractors, or members of the public which requires the approval of OMB under 44 U.S.C. 3501, *et seq.* The purpose of this rule is to decrease the burdens (including paperwork) associated with the administration of the Cost Accounting Standards by covered government contractors and subcontractors.

#### D. Executive Order 12866 and the Regulatory Flexibility Act

This rule serves to eliminate certain administrative requirements associated with the administration of the Cost Accounting Standards by covered government contractors and subcontractors. The economic impact on contractors and subcontractors is therefore expected to be minor. As a result, the Chairman has determined that this is not a "major rule" under the provisions of Executive Order 12866, and that a regulatory impact analysis is not required. Furthermore, this rule will not have a significant effect on a substantial number of small entities because small businesses are exempt from the application of the Cost Accounting Standards. Therefore, this rule does not require a regulatory flexibility analysis under the Regulatory Flexibility Act of 1980.

#### E. Public Comments

This final rule is based upon the Board's Notice of Proposed Rulemaking made available for public comment in the Federal Register on April 9, 1993, 58 FR 18363. Thirty sets of comments were received, including twenty-five timely comments, and five late comments. The major comments received and the Board's actions taken in response thereto are summarized below:

*Comment:* Nineteen commenters supported the NPRM's proposal for an increased "full" CAS coverage threshold, and thirteen commenters supported elimination of the alternative "10 percent of sales" test for the initiation of full CAS coverage. Three commenters supported the addition of CAS 9904.405 to the definition of "modified" CAS coverage, and six commenters supported adding CAS 9904.406 to this definition as well. An additional seven commenters supported the Board's elimination of the need for a separate CAS waiver when an agency had already granted a waiver from the

pricing data pursuant to the provisions of the Truth in Negotiations Act, Public Law 87-653. Finally, three commenters supported the Board's proposed \$1 million trigger contract for the application of full CAS coverage.

*Response:* The Board thanks the commenters for their supportive comments.

*Comment:* Four commenters recommended that the Board revise the rule to include counting only "net awards" in determining whether certain CAS thresholds are met.

*Response:* The Board does not agree with the commenters. As the Board understands the commenters' position, "net awards" refers to the total obligated value of the contract at the time of award, excluding as-yet-to-be-obligated incremental funding, and the potential value of contract options. The Board believes that CAS applicability thresholds are met when the total dollar value of the contract (including as-yet-to-be-provided incremental funding and the potential value of contract options) exceeds the appropriate thresholds. Because this appeared to be a recurring issue among some contractors, the Board is amending the definition of "net awards" in order to make it clear that incrementally-funded contracts and the potential value of contract options are to be included in determining a contractor's or subcontractor's CAS eligibility status. The Board believes that it is the value of the pricing proposal or action that gives rise to CAS applicability.

*Comment:* One commenter (the Department of Defense Office of Inspector General) strongly opposed increasing the dollar threshold (previously \$10 million) associated with the initiation of full CAS coverage. This commenter continues to believe that the \$10 million threshold was of sufficient magnitude that the requirements for full CAS coverage (including the submission of a Disclosure Statement) should continue to apply without modification. This commenter, as well as one other, also supported elimination of the "trigger contract" concept. This commenter believes that previous thresholds associated with the administration of CAS requirements (with the exception of the "10 percent of sales test") do not impose hardships or burdens on industry.

*Response:* The Board does not agree with all aspects of this comment. The Board continues to believe that the effects of inflation over the past fifteen years should be considered in determining CAS applicability thresholds. Moreover, the Board notes

approximately 45-50% decrease in the number of contractors subject to "full" CAS coverage, while reducing the coverage of covered contract dollars by only 5-6%. In the Board's view, this will allow both contractors and administering Government agencies to better focus available resources on contracts of significant dollar value.

**Comment:** Two commenters, representing government contractors, endorsed a proposal to raise the "full" CAS coverage threshold to between \$30-\$50 million. Nine similar commenters also endorsed the reinstatement of the "trigger contract" concept, but believed that it should be applied to modified, as well as, full CAS coverage. Another two commenters recommended that the trigger contract concept be reinstated at a threshold of \$2.5 million. Eight commenters further recommended the elimination of the requirement for the filing of disclosure statements for modified CAS-covered business segments that are affiliated with another business segment that is subject to full CAS coverage. Thirteen commenters opposed inclusion of CAS 9904.405 in the definition of modified coverage, and five commenters opposed including CAS 9904.406.

**Response:** The Board believes that CAS requirements and disclosure thresholds should generally be adjusted in accordance with inflationary experience. It does not consider the commenters proposed higher levels appropriate given the statutory objectives of the Board and the substantial amounts of public pending involved in covered contracts. In response to commenters' concerns previously made known to the Board after issuance of both its ANPRM and NPRM on this subject, the Board is reinstating the "trigger contract" concept with respect to the initiation of full CAS coverage. The new trigger contract threshold is \$1 million. The Board is also adjusting the requirements for the filing of disclosure statements for certain modified CAS-covered business segments that are affiliated with another business segment that is subject to full CAS coverage. The Board respectfully disagrees with the commenters' recommendations that CAS 9904.405 and 9904.406 be excluded from the definition of modified coverage. The Board continues to have serious reservations concerning administration of cost-based contract pricing and/or reimbursement arrangements with contractors that are unable to comply with these very fundamental cost accounting concepts and/or practices.

**Comment:** One commenter recommended that the Board exempt

from all CAS coverage, contracts that are awarded to "commercial companies."

**Response:** The Board continues to believe that the requirements of the Cost Accounting Standards should generally be applied to negotiated contracts that exceed certain dollar thresholds as determined by the Board, in which contract cost or price is determined through the submission of cost or pricing data. The Board does not agree that the mere existence of competition at some level of the procurement process, e.g., technical competition, should give rise to an exemption from application of the Standards, if the element of adequate price competition, as applied to the instant procurement action, is not present. The Board is amending its rules in order to modify the CAS exemption paragraph appearing at 9903.201-1(b)(15). This will serve to eliminate the requirement for a separate Cost Accounting Standards Board waiver in circumstances where the relevant procuring agency has determined to waive the requirement for submission of certified cost or pricing data. The Board believes that this amendment should assist commercial companies in cases where they would ordinarily be subject to TINA, but the requirement for submission of certified cost or pricing data has been waived by the relevant procuring agency.

List of Subjects in 48 CFR Part 9903

Cost accounting standards, Government procurement.

Allan V. Burman,

Administrator for Federal Procurement Policy and Chairman, Cost Accounting Standards Board.

For the reasons set forth in this preamble, chapter 99 of title 48 of the Code of Federal Regulations is amended as set forth below:

1. The authority citation for part 9903 of chapter 99 of title 48 continues to read as follows:

Authority: Pub. L. 100-679, 102 Stat. 4956, 41 U.S.C. 422.

PART 9903—CONTRACT COVERAGE

Subpart 9903.2—CAS Program Requirements

2. Section 9903.201-1 is amended by revising paragraph (b) introductory text and paragraph (c) to read as follows:

9903.201-1. CAS applicability.

(b) The following categories of contracts and subcontracts are exempt from all CAS requirements:

~~(a) Firm-fixed-price contracts and subcontracts awarded without submission of any cost data.~~

3. Section 9903.201-2 is amended by revising paragraphs (a) (1) and (2); removing paragraph (a)(3); and revising paragraph (b) (1) and (2) and paragraph (d) to read as follows:

9903.201-2 Types of CAS coverage.

(a) \* \* \*

(1) Receive a single CAS-covered contract award of \$25 million or more;

or

(2) Received \$25 million or more in net CAS-covered awards during its preceding cost accounting period, of which, at least one award exceed \$1 million.

(b) *Modified coverage.* (1) Modified CAS coverage requires only that the contractor comply with Standard 9904.401, Consistency in Estimating, Accumulating, and Reporting Costs, Standard 9904.402, Consistency in Allocating Costs Incurred for the Same Purpose, Standard 9904.405, Accounting for Unallowable Costs and Standard 9904.406, Cost Accounting Standard—Cost Accounting Period. Modified, rather than full, CAS coverage may be applied to a covered contract of less than \$25 million awarded to a business unit that received less than \$25 million in net CAS-covered awards in the immediately preceding cost accounting period. It also applies to covered contracts of business units that received more than \$25 million in net CAS-covered awards in the immediately preceding cost accounting period, wherein no single contract award exceeded \$1 million.

(2) If any one contract is awarded with modified CAS coverage, all CAS-covered contracts awarded to the business unit during that cost accounting period must also have modified coverage with the following exception: if the business unit receives a single CAS-covered contract award of \$25 million or more, that contract must be subject to full CAS coverage. Thereafter, any covered contract awarded in the same cost accounting period must also be subject to full CAS coverage.

(d) *Subcontracts.* Subcontract awards subject to CAS require the same type of CAS coverage as would prime contracts awarded to the same business unit. In measuring total net CAS-covered awards for a year, a transfer by one segment to another shall be deemed to be a subcontract award by the transferor.

~~4. Section 9903.201-3 is amended by revising the clause heading and~~

introductory text; by revising paragraphs (c) (1) and (3) in Part I of the clause; by removing Part II; by redesignating Parts III and IV as Parts II and III respectively; and revising newly designated Part II to read as follows:

**9903.201-3 Solicitation provisions.**

**Cost Accounting Standards Notices and Certification (November 1993)**

Note: This notice does not apply to small businesses of foreign governments.

This notice is in three parts, identified by Roman numerals I through III.

Offerors shall examine each part and provide the requested information in order to determine Cost Accounting Standards (CAS) requirements applicable to any resultant contract.

**I. Disclosure Statement—Cost Accounting Practices and Certification**

(c) Check the appropriate box below:  
 (1) Certificate of Cognizant Submission of Disclosure Statement.

The offeror hereby certifies that, as a part of the offer, copies of the Disclosure Statement have been submitted as follows: (i) Original and one copy to the cognizant Administrative Contracting Officer (ACO), and (ii) One copy to the cognizant contract auditor.

(Disclosure must be on Form No. CASB DS-1. Forms may be obtained from the cognizant ACO or from the looseleaf version of the Federal Acquisition Regulation.)

Date of Disclosure Statement:  
 Name and Address of Cognizant ACO

where filed:

The offeror further certifies that practices used in estimating costs in pricing this proposal are consistent with the cost accounting practices disclosed in the Disclosure Statement.

(2) **Certificate of Monetary Exemption.**

The offeror hereby certifies that the offeror, together with all divisions, subsidiaries, and affiliates under common control, did not receive net awards of negotiated prime contracts and subcontracts subject to CAS totaling more than \$25 million (of which at least one award exceeded \$1 million) in the cost accounting period immediately preceding the period in which this proposal was submitted. The offeror further certifies that if such status changes before an award resulting from this proposal, the offeror will advise the Contracting Officer immediately.

**II. Cost Accounting Standards—Eligibility for Modified Contract Coverage**

If the offeror is eligible to use the modified provisions of 9903.201-2(b) and elects to do so, the offeror shall indicate by checking the box below. Checking the box below shall mean that the resultant contract is subject to the Disclosure and Consistency of Cost Accounting Practices clause in lieu of the Cost Accounting Standards clause.

The offeror hereby claims an exemption from the Cost Accounting Standards clause

under the provisions of 9903.201-2(b) and certifies that the offeror is eligible for use of the Disclosure and Consistency of Cost Accounting Practices clause because during the cost accounting period immediately preceding the period in which this proposal was submitted, the offeror received less than \$25 million in awards of CAS-covered prime contracts and subcontracts, or the offeror did not receive a single CAS-covered award exceeding \$1 million. The offeror further certifies that if such status changes before an award resulting from this proposal, the offeror will advise the Contracting Officer immediately.

**Caution:** An offeror may not claim the above eligibility for modified contract coverage if his proposal is expected to result in the award of a CAS-covered contract of \$25 million or more or if, during its current cost accounting period, the offeror has been awarded a single CAS-covered prime contract or subcontract of \$25 million or more.

5. Section 9903.201-4 is amended by revising paragraph (c)(1) to read as follows:

**9903.201-4 Contract clauses.**

(c) **Disclosure and Consistency of Cost Accounting Practices.** (1) The contracting officer shall insert the clause set forth below, Disclosure and Consistency of Cost Accounting Practices, in negotiated contracts when the contract amount is over \$500,000 but less than \$25 million, and the offeror certifies it is eligible for and elects to use modified CAS coverage (see 9903.201-2, unless the clause prescribed in paragraph (2) of this subsection is used).

**9903.202 Disclosure requirements.**

5. Section 9903.202-1 is amended by revising paragraphs (b) (1) and (2) paragraph (c) to read as follows:

**9903.202-1 General requirements.**

(b) (1) Any business unit that is selected to receive a CAS-covered contract or subcontract of \$25 million or more shall submit a Disclosure Statement before award.

(2) Any company which, together with its segments, received net awards of negotiated prime contracts and subcontracts subject to CAS totaling more than \$25 million in its most recent cost accounting period, of which at least one award exceeded \$1 million, must submit a Disclosure Statement before award of its first CAS-covered contract in the immediately following cost accounting period. However, if the first CAS-covered contract is received within 90 days of the start of the cost accounting period, the contractor is not required to file until the end of 90 days.

(c) When a Disclosure Statement is required, a separate Disclosure

Statement must be submitted for each segment whose costs included in the total price of any CAS-covered contract or subcontract exceed \$500,000, unless (i) The contract or subcontract is of the type or value exempted by 9903.201-1 or (ii) In the most recently completed cost accounting period the segment's CAS-covered awards are less than 30 percent of total segment sales for the period and less than \$10 million.

**Subpart 9903-5 CAS Rules and Regulations**

7. Section 9903.301 is amended by revising the definition for Net Awards to read as follows:

**§ 9903.301 Definitions.**

**Net awards,** as used in this chapter, means the total value of negotiated CAS-covered prime contract and subcontract awards, including the potential value of contract options, received during the reporting period minus cancellations, terminations, and other related credit transactions.

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**DEPARTMENT OF COMMERCE**

**National Oceanic and Atmospheric Administration**

**50 CFR Part 675**

[Docket No. 921185-3021; LD: 110193A]

**Groundfish of the Bering Sea and Aleutian Islands Area**

**AGENCY:** National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

**ACTION:** Closure.

**SUMMARY:** NMFS is closing the directed fishery for Atka mackerel in the Central Aleutian District (statistical area 542) of the Aleutian Islands subarea in the Bering Sea and Aleutian Islands area (BSA). This action is necessary to prevent exceeding the Atka mackerel total allowable catch (TAC) in the Central Aleutian District.

**EFFECTIVE DATE:** 12 noon, Alaska local time (A.L.T.), November 1, 1993, until 12 midnight, A.L.T., December 31, 1993.

**FOR FURTHER INFORMATION CONTACT:** Andrew N. Smoker, Resource Management Specialist, Fisheries Management Division, NMFS, 907-586-7228.