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## Proposed Change in Travel Cost Principle – Airline Fares

A proposed change to FAR Part 31.205-46(b) regarding employee travel costs will redefine allowable airline fares. The proposed rule, if implemented, will limit allowability of airline fares to the lowest standard or coach fare available to the contractor, rather than fares available to the general public.

The current FAR verbiage, which states that such fares are limited to “lowest customary standard, coach, or equivalent airfare offered during normal business hours” has produced confusion as to whether existing verbiage means lowest fares offered to the general public, or to the contractor. The proposed rule will clarify the verbiage to specifically hold contractors to the lowest fares they can achieve in the ordinary course of business. The proposed rule will also delete the word “standard” from the description leaving “lowest customary coach or equivalent”.

The writers of the revised verbiage note that it is “not prudent to allow the costs of the lowest coach fares available to the

general public when contractors have obtained lower fares as a result of direct negotiations” with the airlines. Although the proposed amendment states that there is confusion with respect to available to whom (“contractor” vs. “general public”), the real story is that “lowest standard coach” is being applied by some contractors as the same-day, walk-up coach fare. In many cases, that “standard coach” fare is more than business or first class ticket purchased in advance (e.g. 14 days). Using this interpretation as defining an allowable amount, contractors have been using (and claiming the cost for) business and/or first class air travel. The public has until February 19, 2008 to comment on this proposed rule.

## DoD Imposes 35% Limit on Indirect Costs for Basic Research

On December 1, 2007, the Under Secretary of Defense for Acquisition, Technology and Logistics, noted that Section 8115 of the act prohibits DoD from paying indirect costs in excess of 35 percent of total costs, issued internal implementing guidance. The term “total costs” has the same meaning given in government-wide cost principles (FAR); however, the 35 percent limitation does not flow-down to subordinate instruments (e.g. subcontracts). The restriction only applies to new awards on or after November 14 using Fiscal Year 2008 funds.

Although this restriction, in and of itself is narrowly focused, in tandem with the restriction on excessive pass through costs (Section 852 for Fiscal Year 2007 Defense Authorization), one could get

the impression that there is a not so subtle belief that indirect costs are non-value added. Unfortunately, the restrictions imposed by Public Law are being introduced with no modification of long standing allocation regulations (i.e. FAR and CAS); hence, we have one more opportunity for existing and previously accepted cost allocations to yield costs made partially unallowable by an arbitrary cap (35%) within a Public Law.

## Recognizing When You Have a CAS Covered Contract

Identifying a potential contract award that may be covered by the Cost Accounting Standards (CAS) can often be a confusing process, given the complex applicability and exemption provisions included within this cost accounting public law and the implementing administrative requirements.

Recognizing a prospective award, during the solicitation review phase, is paramount to accurately identifying an award that will carry you into the magnificent world of cost accounting regulatory guidelines, or will otherwise afford you an exemption to those provisions.

During the solicitation review, a critical step you must take is to determine if the contract award likely to result from the solicitation will produce CAS coverage. You will need to determine if the subsequent award qualifies for an exemption under CAS 9903.201-1 (b).

Examples of awards that will afford you an exemption are:

- Contractors who are designated “small business”
- Award value will be lower than \$650,000
- FFP contracts for commercial services or supplies
- Company not currently performing an existing CAS covered contract/subcontract with an award value of \$7.5 million or above; in this case, the award you are likely to receive must be at least \$7.5 million (referred to as “trigger contract”, but note that FAR 1.108 defines contract value as the maximum potential value for IDIQs, contracts with options, etc.)

If no exemptions are available, your contracts manager will need to ascertain the type of CAS coverage (full or modified) and provide counsel to company officials on pro-active processes required so that the company can comply with appropriate provisions of CAS before award.

A word to the wise: When reviewing the solicitation to determine how you prepare the Certifications and Representations (contract section where you certify if the award will be CAS covered), do your homework before you submit your proposal with prepared certifications. If you certify that the award will be covered by CAS, it is likely that that your procurement office, ACO, and cognizant DCAA office will deem the award as CAS covered even if you made a mistake and incorrectly identified the award as CAS covered.

Similarly, pay heed to CAS applicability or inapplicability when subcontracting to a CAS-covered prime contractor because many take the approach of flowing-down the same contractual clauses as included in their prime contract. What applies to the prime does not necessarily apply to the subcontractor.

## Training Opportunities

### SBA Certification Requirements

#### Lunch and Learn

**Sponsored by:** Beason & Nalley, Inc.

**Date:** February 12, 2008

**Location:** Huntsville, AL

**Time:** 11:30 a.m. – 1:00 p.m.

**Cost:** \$20.00

**Instructor:** Dr. Jay Billings

**Registration:** Contact Liz Waggett at 256-533-1720 or

[lwaggett@beasonnalley.com](mailto:lwaggett@beasonnalley.com)

**More details to follow.**

### Government Cost Accounting Systems Compliance

#### Brief Synopsis:

This course is designed to detail the components of a government contract accounting system and explain how an accounting system helps to ensure your compliance with government contracting rules and regulations.

#### Sponsored by:

Federal Publications Seminars

#### Calendar Year 2008 Schedule:

##### May 28-29

[Marvin Conference Center](#)

Washington, DC

##### June 18-19

[Flamingo Las Vegas](#)

Las Vegas, NV

##### October 1-2

[Marvin Conference Center](#)

Washington DC

##### December 11-12

[Flamingo Las Vegas](#)

Las Vegas, NV

#### Instructors:

Scott Butler and Mike Steen

Go to [www.fedpubseminars.com](http://www.fedpubseminars.com) and click on the Government Contracts tab or call Beason & Nalley at 256.533.1720.

## Specialized Training

Beason & Nalley will develop and provide specialized Government contracts compliance training for client/contractor audiences. Topics on which we can provide training include estimating systems, FAR Part 31 Cost Principles, TINA and defective pricing, cost accounting system requirements, and basics of Cost Accounting Standards, just to name a few. If you have an interest in training, with educational needs specific to your company, please contact Ms. Sandra Baker at [sbaker@beasonnalley.com](mailto:sbaker@beasonnalley.com), or at 256.533.1720.

## Future Newsletters

Beason & Nalley welcomes any feedback from the readers of this newsletter. We appreciate any suggestions that you may have as to future content, presentation and format, or interesting developments in the procurement community that would be of interest to our readers. Please provide any feedback or suggestions via our email address at [dwalker@beasonnalley.com](mailto:dwalker@beasonnalley.com).

Beason & Nalley, Inc. provides accounting, business, financial and consulting services with a focus on serving government contractors. Beason & Nalley goes well beyond the bounds of what one would normally consider to be “typical” services. We provide services such as government contract services, outsourced accounting, audit, tax and Deltek GCS Premier™ and Deltek Costpoint® consulting and more. Our goal is to provide the business owner with options for their financially related administrative needs. Our service list is comprehensive. Contact us:

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