

COST ACCOUNTING STANDARDS TEAM: REQUEST FOR RESEARCH INPUT

The Section 809 Panel, established by section 809 of the National Defense Authorization Act (NDAA) for FY 2016, as amended by section 863(d) of the FY 2017 NDAA, is tasked with finding ways to streamline and improve the defense acquisition process.

The panel established Team 9 to review the Cost Accounting Standards Board (CASB) administrative and accounting requirements in the context of significant changes in what is being acquired, contracting methods, acquisition methods, and contractor operations.

This review will further both the panel's goal of improving the efficiency and effectiveness of the DoD procurement process and Team 9 objectives of providing increased uniformity in contractor practices and a fair and consistent basis of accounting where cost is used as a basis of pricing.

Team 9 requests input from interested parties on recommended issues to address and potential solutions to those issues, with a particular emphasis on concerns that are significant and widespread enough that addressing them will noticeably improve the effectiveness and efficiency of DoD procurement.

CAS matters under review include the following topics and subtopics:

1. CAS Applicability, Exemptions, and Thresholds, including
 - a. *Trigger contract* award amount for contract CAS-coverage
 - b. Full CAS-coverage v. modified contract coverage
 - c. Application of CAS-coverage, exemptions, and thresholds to *hybrid contracts*
 - d. Measurement of awards for indefinite delivery indefinite quantity (IDIQ) and requirements contracts
 - e. Incorporation of CAS provisions in solicitations, contracts, and subcontracts
 - f. Expansion and/or clarification of existing exemptions
2. Conformance of generally accepted accounting principles (GAAP) and CAS
 - a. Use of GAAP where it provides a suitable basis for fulfilling CASB objectives, such as accounting for leases or software
3. Cost impact measurement and administration
 - a. Impact measurement baselines
 - b. Cost shifts between types of affected contracts and to future contracts forecast to be awarded
 - c. Appropriate use of and determinations on desirable changes to a cost accounting practice
 - d. Measurement of increased costs paid by the government in the aggregate

- e. Application of offsets for multiple changes to a cost accounting practice that become effective at the same time
4. Materiality
 - a. Additional criteria, including one or more objective measures for determining materiality
 5. Definition of CASB terms including *cost accounting practice* and *change to a cost accounting practice*
 - a. Additional guidance and illustrations based on Board and Court cases and implementation experience with the definitions
 6. Allocation Standards: CAS 403, 410, 418 and 420
 - a. Additional guidance and illustrations on the use and measurement of Special Allocations
 - b. Inclusion of joint venture efforts in cost allocation bases
 - c. Accounting for *allocated direct costs*
 - d. Accounting for IR&D and B&P costs
 - e. Application of materiality in assessing compliance of indirect cost pools and allocation bases
 - f. Allocation of residual home office costs
 - g. Clarification of the distinction between 418.40(c)(1) and 418.40(c)(2)
 7. Disclosure Statement Structure and Requirements
 - a. Thresholds for Disclosure Statement submission
 - b. The required level of detail for adequate disclosures
 - c. Disclosures for *allocated direct costs*
 - d. Disclosures for service organizations
 8. Accounting for Unallowable Costs – CAS 405
 - a. Additional guidance, including definitions and illustrations concerning *expressly unallowable cost* and *directly associated costs*
 9. Pension Costs: CAS 412/CAS 413.
 - a. Accounting for pension plan *curtailments*
 - b. Data for and measurement of the government share of segment closing adjustments
 10. Insurance Costs: CAS 416
 - a. Measurement and inclusion of incurred but not reported (IBNR) losses for self-insurance costs; adjustment of Projected Average
 - b. Use of actual loss experience in measuring self-insurance
 - c. Methods to measure postretirement benefit (PRB) costs

We are interested in your input on these and other issues. Providing the team a description of the current state and potential solutions for each issue will facilitate our efforts.

Please provide your input no later than July 31, 2017, by visiting <https://section809panel.org/recommendations/> and selecting the option “Proposed Changes to CASB Requirements.”