



National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Notice

PN 97-57
October 25, 2000

FINAL INDIRECT COST RATES

PURPOSE: To provide guidance on when NASA participation should occur in the determination of final indirect cost rates.

BACKGROUND: A NASA Office of Inspector General report interpreted the coverage at NFS 1842.705-1 to always require NASA participation in final indirect cost rate determinations where the agency has a major financial interest. The intent of the coverage was that NASA should participate in final indirect cost rate determinations when invited by the cognizant contracting officer, and the issues involved would have a significant financial impact on the agency. NASA should not participate when the issues would not have a significant impact on the agency. The NFS revision more clearly communicates this intent. The NFS revision also specifies that, in cases where the issues involved in the final indirect cost rate determination would have a significant financial impact on the agency and a decision is made not to participate, the decision needs to be communicated to the cognizant contracting officer.

REGULATION: Changes are made in Part 1842 as set forth in the enclosed replacement pages.

REPLACEMENT PAGES: You may use the enclosed pages to replace 42:7 and 42:8 of the NFS.

REGULATORY COMPLIANCE: This PN was published as a final rule in the Federal Register (65 FR 63807, October 25, 2000).

EFFECTIVE DATE: This PN is effective as dated and shall remain in effect until canceled or superseded.

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Enclosures

effective communication with the contract administration office during the performance of the contract.

Subpart 1842.7--Indirect Cost Rates

1842.705 Final indirect cost rates.

1842.705-1 Contracting officer determination procedure.

(b) Procedures.

(3)(i) When NASA is not the cognizant Federal agency, NASA should participate with the cognizant contracting officer (or cognizant Federal agency official) in the final indirect cost rate determination procedure where the issues involved would have a significant financial impact on the agency. The NASA participant should be a representative from that installation providing the preponderance of NASA funding. If a determination is made that NASA's participation is not warranted, that decision must be communicated to the cognizant contracting officer (or cognizant Federal agency official).

(ii) When NASA is the cognizant Federal agency, settlement of indirect costs should be conducted by the cognizant NASA contracting officer (normally from the installation providing the preponderance of NASA funding).

1842.708 Quick-Closeout procedure.

(a)(2)(ii) The 15 percent parameter does not apply to NASA contracts. Instead, perform a risk analysis that takes into consideration the contractor systems identified in FAR 42.708(a)(2)(ii), as well as the concerns of the cognizant contract auditor, and any other pertinent information.

1842.708-70 NASA Quick-closeout procedures.

After a decision is made that the use of quick closeout is appropriate, the contracting officer shall:

(a) Obtain a written agreement from the contractor to participate in the quick-closeout process under FAR 42.708 for the selected contract(s).

(b) Require the contractor to submit a final voucher and a summary of all costs by cost element and fiscal year for the contract(s) in question, as well as a copy of the contractor's final indirect cost rate proposal for each fiscal year quick closeout is involved.

(c) Notify the cognizant audit activity in writing, identify the contract(s), and request: (1) the contractor's indirect cost history covering a sufficient number of fiscal years to see the trend of claimed, audit questioned, and disallowed costs; and (2) any other information that could impact the decision to use quick-closeout procedures. Indirect cost histories should be requested from the contractor only when the cognizant audit activity is unable to provide the information.

(d) Review the contract(s) for indirect cost rate ceilings and any other contract limitations, as well as the rate history information.

(e) Establish final indirect cost rates using one of the following rates:

(1) The contract's ceiling indirect cost rates, if applicable, and if less than paragraphs (e)(2) through (6) of this section.

(2) The contractor's claimed actual rates adjusted based on the contractor's indirect cost history, if less than paragraphs (e)(3) through (6) of this section.

(3) Recommended rates from the cognizant audit agency, the local pricing office, another installation pricing office, or other recognized knowledgeable source.

(4) The contractor's negotiated billing rates, if less than paragraphs (e)(5) or (6) of this section.

(5) The previous year's final rates.

(6) Final rates for another fiscal year closest to the period for which quick-closeout rates are being established.

(f) If an agreement is reached with the contractor, obtain a release of all claims and other applicable closing documents.

(g) For those contracts where the indirect cost rate negotiation function was delegated or falls under the cognizance of another agency, send a copy of the agreement to that office.

Subpart 1842.8--Disallowance of Costs

1842.803 Disallowing costs after incurrence.

(b) Auditor receipt of vouchers.

(1) NASA has designated the contract auditor as the contracting officer's representative for--

(A) Reviewing vouchers received directly from contractors;

(B) Approving vouchers for provisional payment and sending them to the disbursing office;

(C) Reviewing completion/final vouchers and sending them to the designated contracting officer for approval.

(D) Authorizing direct submission of interim vouchers for provisional payment to disbursing offices for contractors with approved billing systems.

(2)(A) When contract costs are questioned, the auditor shall prepare and send to the cognizant contracting officer NASA Form 456, Notice of Contract Costs Suspended and/or Disapproved.

(B) After coordination with other NASA and federal agency contracting officers administering contracts with the same contractor under which a NASA Form 456 or a DCAA Form 1 has been issued for the same items of cost, the NASA contracting officer shall take one of the following actions:

(a) Assign a notice number and sign the NASA Form 456.

(b) Issue a new NASA Form 456 suspending the costs rather than disapproving them pending resolution of the issues.

(c) Return the unsigned NASA Form 456 to the auditor with a detailed explanation of why the suspension or disapproval is not being signed, and process the contractor's claim for payment.

(C) When more than one NASA contract is affected by a notice, the NASA contracting officer with the largest amount of contract dollars affected is responsible

for coordination of the NASA Form 456 with the other contracting officers, including those of other federal agencies, listed in the notice.

(D) An original and three copies (which includes two acknowledgment copies, one each for return to the contracting officer and the auditor) of the NASA Form 456 shall be sent to the contractor by certified mail, return receipt requested; one copy shall be attached to the Standard Form 1034 and each copy of the Standard Form 1034A on which the deduction for the suspension/disapproval is made.

(E)(a) If the amount of the deduction is more than the amount of the public voucher, the installment method of deduction shall be applied to the current and subsequent public vouchers until the amount is fully liquidated. The deductions on any voucher may not exceed the voucher amount to avoid processing of a voucher in a credit amount. Public voucher(s) with zero amounts must be forwarded to the fiscal or financial management office for appropriate action.