Cost Accounting Standards
Part IV – The Disclosure Statement

Bill Walter, Executive Director
Agenda

• Session I – Administration:
  – CAS Overview
  – Applicability
  – Types of Coverage
  – CAS Administration

• Part II - The Cost Allocation Standards

• Part III - The Cost Assignment and Measurement Standards

• Part IV - The CAS Disclosure Statement
A Quick Review – Part I

• Contracts are subject to CAS – not contractors!

10 Exemptions listed in 9903.201-1(b)

$50 million threshold

Full – yes – Modified - maybe
A Quick Review – Part II

• The Basic Standards
  – CAS 401 and CAS 402 – Consistency Standards
  – CAS 405 and CAS 406

• The cost allocation Standards
  – Beneficial or Causal or (Causal or Beneficial)
    • Preference for Direct
    • Homogeneous
    • Everything left over . . .
  – CAS 403, CAS 407, CAS 410, CAS 418 and CAS 420

• Cost of Money – CAS 414
A Quick Review - Part III

• The Asset Accounting Standards –
  – CAS 404, 409, 417
• The Compensation Accounting Standards
  – CAS 408, 412 & 413, 415
• Other Standards
  – CAS 411, 416
THE DISCLOSURE STATEMENT
Disclosure Statements

• What is a Disclosure Statement?
• Established versus Disclosed Practices
• Strategies for completion
• Commercial Entities (DS-1)
• Educational Institutions (DS-2)
When do you file?

- Business unit selected to receive an award of $50 million or more must submit a Disclosure Statement before award.
- Any company which received net awards of $50 million in the preceding cost accounting period within 90 days after the end of the cost accounting period in which the threshold was breached.
Who must file?

- Any segment whose costs included in the price of a CAS covered contract exceed $650,000
- Exceptions:
  - exempt from CAS by FAR 9903.201-1
  - if in the preceding cost accounting period CAS covered awards are less than 30% of sales and less than $10 million
Educational Institutions...

- Educational Institutions listed in Appendix A of OMB Circular A-21 must file a DS-2 before award of a CAS covered award greater than $650k unless it can demonstrate that the amount of contracts and grants in the preceding period was less than $25M.
- Must submit a DS with any award greater than $25M.
- If received $25M in awards and at least 1 greater than $1M, must submit its DS-2 before the award of its first award immediately following the period.
Where is a DS Filed?

• Submitted to the ACO with a copy to the cognizant audit agency

• Subcontractors:
  – Either to the prime; or
  – To their ACO and cognizant audit agency (generally the preferred way for a subcontractor to file)
What does the DS cover?

- General information
- Direct costs
- Direct versus indirect costs
- Indirect costs
- Depreciation and Capitalization practices
- Other costs and credits
- Deferred compensation and insurance cost
- Corporate or group expenses
<table>
<thead>
<tr>
<th>PART</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART I</td>
<td>General Information</td>
<td>I-1</td>
</tr>
<tr>
<td>PART II</td>
<td>Direct Costs</td>
<td>II-1</td>
</tr>
<tr>
<td>PART III</td>
<td>Direct vs. Indirect Costs</td>
<td>III-1</td>
</tr>
<tr>
<td>PART IV</td>
<td>Indirect Costs</td>
<td>IV-1</td>
</tr>
<tr>
<td>PART V</td>
<td>Depreciation and Capitalization Practices</td>
<td>V-1</td>
</tr>
<tr>
<td>PART VI</td>
<td>Other Costs and Credits</td>
<td>VI-1</td>
</tr>
<tr>
<td>PART VII</td>
<td>Deferred Compensation and Insurance Cost</td>
<td>VII-1</td>
</tr>
<tr>
<td>PART VIII</td>
<td>Home Office Expenses</td>
<td>VIII-1</td>
</tr>
</tbody>
</table>
General Instructions

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 106-73

1. This Disclosure Statement has been designed to meet the requirements of Public Law 106-73, and persons preparing it are to disclose the contractor and its cost accounting practices. For complete regulations, instructions, and other requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 98 Title 10 CFR 1660.202.

2. Part II of the Statement provides general information concerning each reporting unit, e.g., segment, division, or other intermediate level, major, or separate cost objective. Parts IV through VIII pertain to the types of costs generally incurred by the segment or business unit directly performing federal contracts or similar cost objectives. Part VIII pertains to the types of costs that are generally incurred by a major entity and are allocated to one or more segments performing federal contracts. A description of each “cost objective” is at 48 CFR 9904.403.

3. Each segment or business unit required to disclose its cost accounting practice shall complete the Cover Sheet, the Certification, and Parts I through VII.

4. Each business unit required to disclose its cost accounting practice shall complete the Cover Sheet, the Certification, and Parts I through VII of the Disclosure Statement. Where a major entity establishes policies or procedures for the types of costs incurred by Parts V, VI, and VII, or locates and then allocates these types of cost to its segments, the major entity may complete Parts V, VI, and VII to be included in the Disclosure Statement submitted by its segments. While a major entity may have more than one segment submitting Disclosure Statements, only one Statement needs to be submitted to cover the entire segment.

5. The Statement must be signed by an authorized representative of the reporting unit.

6. The Disclosure Statement should be accompanied by the appropriate letter or the appropriate letter which describes the segment’s reporting unit cost accounting practice.

7. A number of questions in this Statement may call for narrative answers requiring more space than is provided. In such instances, the report provided should include the narrative provided by the reporting unit. The content statements may be reproduced locally as intended. The number of the questions involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the narrative on the narrative sheet. The content statements should be included at the end of the pertinent Part of the Statement. On each content statement, the reporting unit should insert the next sequential page number for that Part and, if the last content statement used, the words “End of Part” should be inserted after the line ending.

8. The cost accounting practices being disclosed is clearly set forth in the contractor’s existing written accounting policies and procedures, such documents may be used as an additional support and incorporated by reference at the option of the contractor. In such cases, the contractor should provide the date of issuance and effective date for such accounting policies and procedures. Copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such additional statements and appendices should be labeled and cross-referenced with the applicable Disclosure Statement Part and follow the page number specified in paragraph 7. Any supplementary comments required to adequately describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when cost accounting practices are changed to comply with a new CAS or when practices are changed without knowledge of the Government. (See 48 CFR 9903.202-31).
Cover Sheet and Certification

<table>
<thead>
<tr>
<th>O.1 Company or Reporting Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Street Address</td>
</tr>
<tr>
<td>City, State, &amp; Zip Code</td>
</tr>
<tr>
<td>Division or Subsidiary of (if applicable)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O.2 Reporting Unit: (Mark one.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. ____ Business Unit comprising an entire business organization which is not divided into segments.</td>
</tr>
<tr>
<td>B. 1. ____ Corporate Home Office</td>
</tr>
<tr>
<td>2. ____ Intermediate Level Home Office</td>
</tr>
<tr>
<td>3. ____ Segment or business unit reporting directly to a home office.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O.3 Official to Contact Concerning this Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Title</td>
</tr>
<tr>
<td>Phone number (including area code and extension)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O.4 Statement Type and Effective Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. (Mark type of submission. If a revision, enter number)</td>
</tr>
<tr>
<td>(a) ____ Original Statement</td>
</tr>
<tr>
<td>(b) ____ Revised Statement; Revision No. ____</td>
</tr>
<tr>
<td>B. Effective Date of this Statement/Revision: ____</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Cognizant Federal Agency: ___________________</td>
</tr>
<tr>
<td>(b) Cognizant Federal Auditor: __________________</td>
</tr>
</tbody>
</table>

CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a revision, is the complete and accurate disclosure as of the above date by the above-named organization of its cost accounting practices, as required by the Disclosure Regulation (48 CFR 9903.201) of the Cost Accounting Standards Board under P.L. 100-679.

(Name)

(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C. § 1001
Administration of the Disclosure Statement
Approvals – Adequate or Compliant

• Adequacy:
  – The ACO’s determination
  – DCAA involvement
  – Significance of the determination
  – When can it be withdrawn

• Compliance with CAS
  – Determination Process
  – DCAA Involvement
  – Standard by Standard
Amending the Disclosure Statement

• Importance of keeping the DS current
• Strategies for managing amendments
• Timing of amendments
Questions & Answers
Executive Director
Government Contract Consulting Services

Dixon Hughes Goodman LLP
1410 Spring Hill Rd. Suite 500
Tysons, VA 22102

D. 703.970.0509
bill.walter@dhgllp.com