

PHASE II: CONTRACT ADMINISTRATION

Activity 42: Allowability of Costs

Disallowance of Costs

Determine allowability of incurred costs or costs planned for incurrence.

Attempt to reach a satisfactory settlement through discussions with the contractor.

Prepare a notice of intent to disallow costs.

Issue the notice of intent to disallow costs to the contractor and obtain acknowledgement of contractor receipt.

Respond to the contractor's rebuttal (if any) of the decision.

Determine the penalty and interest (if any) for contractors that include unallowable costs in final indirect cost rate proposals or the final statements costs under a fixed-price incentive contract.

Payment of Indirect Costs

Identify the official responsible for determining the final indirect cost rates for the business unit.

Determine billing rates.

Determine whether or not to apply the quick-closeout procedure to settle indirect costs.

If yes,

Use the quick-closeout procedure to settle indirect costs.

Negotiate the settlement of direct and indirect costs.

If no,

Obtain from the cognizant agency the final indirect cost rates for the period or periods during which the contract was effect.

Apply the final indirect cost rates in establishing the final contract price.

Limitation of Costs, Funds, or Total Payment Amount

Determine if the contractor is approaching a limitation of funds, costs, or payments.

if yes,

Decide on an appropriate course of action given the funding and programming information.

Notify the contractor in writing of the course of action.

Document the contract file.

If no,

Take no further action.