

section (h)(1), shall not receive additional compensation for services but shall continue to be compensated by the employing department or agency of the officer or employee.

(2) **APPOINTEES FROM PRIVATE SECTOR.**—Each member of the Board appointed from the private sector shall receive compensation at a rate not to exceed the daily equivalent of the rate for level IV of the Executive Schedule for each day (including travel time) in which the member is engaged in the actual performance of duties vested in the Board.

(3) **TEMPORARY AND INTERMITTENT PERSONNEL.**—An individual hired under subsection (h)(2) may receive compensation at a rate fixed by the Administrator, but not to exceed the daily equivalent of the rate for level V of the Executive Schedule for each day (including travel time) in which the individual is properly engaged in the actual performance of duties under this chapter.

(4) **TRAVEL EXPENSES.**—While serving away from home or regular place of business, Board members and other individuals serving on an intermittent basis under this chapter shall be allowed travel expenses in accordance with section 5703 of title 5.

(Pub. L. 111–350, § 3, Jan. 4, 2011, 124 Stat. 3695; Pub. L. 114–328, div. A, title VIII, § 820(a)(1), (3), Dec. 23, 2016, 130 Stat. 2273, 2274.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1501(a)	41:422(a)(1) (1st sentence).	Pub. L. 93–400, § 26(a)–(e), as added Pub. L. 100–679, § 5(a), Nov. 17, 1988, 102 Stat. 4058.
1501(b)	41:422(a)(1) (last sentence), (2).	
1501(c)	41:422(b).	
1501(d)	41:422(c).	
1501(e)	41:422(d).	
1501(f)	41:422(e).	

In subsection (b)(2), the text of 41:422(a)(2)(C) is omitted as obsolete.

In subsection (b)(2)(A), the last sentence is substituted for “of the initial members, two shall be appointed for terms of two years, one shall be appointed for a term of three years, and one shall be appointed for a term of four years” because the initial members have already been appointed.

In subsection (c)(2), the reference to section 5376 of title 5 is substituted for the reference to grade GS–18 of the General Schedule because of section 529 [title I, § 101(c)(1)] of the Treasury, Postal Service, and General Government Appropriations Act, 1991 (Public Law 101–509, 104 Stat. 1442, 5:5376 note).

In subsection (f)(1), the words “Except as otherwise provided in subsection (a) of this section” are omitted because 41:422(a) does not provide any relevant exception.

In subsection (f)(2), the words “private sector” are substituted for “private life” for consistency with subsection (b)(1)(B) of the revised section.

In subsection (f)(3), the words “Executive Schedule” are substituted for “Federal Executive Salary Schedule under section 5316 of title 5” for consistency and to eliminate unnecessary words.

SENATE REVISION AMENDMENT

In subsec. (c)(2), “for level IV of the Executive Schedule” substituted for “under section 5376 of title 5” by S. Amdt. 4726 (111th Cong.). See 156 Cong. Rec. 18682 (2010).

Editorial Notes

REFERENCES IN TEXT

The date of enactment of this subsection, referred to in subsec. (c)(2), is the date of enactment of Pub. L. 114–328, which was approved Dec. 23, 2016.

Level IV of the Executive Schedule, referred to in subsec. (f)(2), is set out under section 5315 of Title 5, Government Organization and Employees.

AMENDMENTS

2016—Subsec. (b)(1)(B)(ii). Pub. L. 114–328, § 820(a)(1)(A), inserted “and, if possible, is a representative of a public accounting firm” after “systems”.

Subsecs. (c) to (e). Pub. L. 114–328, § 820(a)(1)(C), added subsecs. (c) to (e). Former subsecs. (c) to (e) redesignated (f) to (h), respectively.

Subsec. (f). Pub. L. 114–328, § 820(a)(1)(B), (D), redesignated subsec. (c) as (f) and amended it generally. Prior to amendment, text read as follows: “The Administrator, after consultation with the Board, may—

“(1) appoint an executive secretary and 2 additional staff members without regard to the provisions of title 5 governing appointments in the competitive service; and

“(2) pay those employees without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5 relating to classification and General Schedule pay rates, except that those employees may not receive pay in excess of the maximum rate of basic pay payable for level IV of the Executive Schedule.”

Subsecs. (g) to (i). Pub. L. 114–328, § 820(a)(1)(B), redesignated subsecs. (d) to (f) as (g) to (i), respectively.

Subsec. (i)(1). Pub. L. 114–328, § 820(a)(3)(A), substituted “subsection (h)(1)” for “subsection (e)(1)”.

Subsec. (i)(3). Pub. L. 114–328, § 820(a)(3)(B), substituted “subsection (h)(2)” for “subsection (e)(2)”.

Statutory Notes and Related Subsidiaries

CHANGE OF NAME

Committee on Oversight and Government Reform of House of Representatives changed to Committee on Oversight and Reform of House of Representatives by House Resolution No. 6, One Hundred Sixteenth Congress, Jan. 9, 2019.

EFFECTIVE DATE OF 2016 AMENDMENT

Pub. L. 114–328, div. A, title VIII, § 820(d), Dec. 23, 2016, 130 Stat. 2276, provided that: “The amendments made by this section [enacting section 190 of Title 10, Armed Forces, and amending this section and section 1502 of this title] shall take effect on October 1, 2018.”

§ 1502. Cost accounting standards

(a) AUTHORITY.—

(1) **COST ACCOUNTING STANDARDS BOARD.**—The Cost Accounting Standards Board has exclusive authority to prescribe, amend, and rescind cost accounting standards, and interpretations of the standards, designed to achieve uniformity and consistency in the cost accounting standards governing measurement, assignment, and allocation of costs to contracts with the Federal Government.

(2) **ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY.**—The Administrator, after consultation with the Board, shall prescribe rules and procedures governing actions of the Board under this chapter. The rules and procedures shall require that any action to prescribe, amend, or rescind a standard or interpretation be approved by majority vote of the Board.

(b) MANDATORY USE OF STANDARDS.—

(1) SUBCONTRACT.—

(A) DEFINITION.—In this paragraph, the term “subcontract” includes a transfer of commercial products or commercial services between divisions, subsidiaries, or affiliates of a contractor or subcontractor.

(B) WHEN STANDARDS ARE TO BE USED.—Cost accounting standards prescribed under this chapter are mandatory for use by all executive agencies and by contractors and subcontractors in estimating, accumulating, and reporting costs in connection with the pricing and administration of, and settlement of disputes concerning, all negotiated prime contract and subcontract procurements with the Federal Government in excess of the amount set forth in section 3702(a)(1)(A) of title 10 as the amount is adjusted in accordance with applicable requirements of law.

(C) NONAPPLICATION OF STANDARDS.—Subparagraph (B) does not apply to—

(i) a contract or subcontract for the acquisition of a commercial product or commercial service;

(ii) a contract or subcontract where the price negotiated is based on a price set by law or regulation;

(iii) a firm, fixed-price contract or subcontract awarded on the basis of adequate price competition without submission of certified cost or pricing data; or

(iv) a contract or subcontract with a value of less than \$7,500,000 if, when the contract or subcontract is entered into, the segment of the contractor or subcontractor that will perform the work has not been awarded at least one contract or subcontract with a value of more than \$7,500,000 that is covered by the standards.

(2) EXEMPTIONS AND WAIVERS BY BOARD.—The Board may—

(A) exempt classes of contractors and subcontractors from the requirements of this chapter; and

(B) establish procedures for the waiver of the requirements of this chapter for individual contracts and subcontracts.

(3) WAIVER BY HEAD OF EXECUTIVE AGENCY.—

(A) IN GENERAL.—The head of an executive agency may waive the applicability of the cost accounting standards for a contract or subcontract with a value of less than \$100,000,000 if that official determines in writing that the segment of the contractor or subcontractor that will perform the work—

(i) is primarily engaged in the sale of commercial products or commercial services; and

(ii) would not otherwise be subject to the cost accounting standards under this section.

(B) IN EXCEPTIONAL CIRCUMSTANCES.—The head of an executive agency may waive the applicability of the cost accounting standards for a contract or subcontract under exceptional circumstances when necessary to meet the needs of the agency. A determination to waive the applicability of the standards under this subparagraph shall be set

forth in writing and shall include a statement of the circumstances justifying the waiver.

(C) RESTRICTION ON DELEGATION OF AUTHORITY.—The head of an executive agency may not delegate the authority under subparagraph (A) or (B) to an official in the executive agency below the senior policymaking level in the executive agency.

(D) CONTENTS OF FEDERAL ACQUISITION REGULATION.—The Federal Acquisition Regulation shall include—

(i) criteria for selecting an official to be delegated authority to grant waivers under subparagraph (A) or (B); and

(ii) the specific circumstances under which the waiver may be granted.

(E) REPORT.—The head of each executive agency shall report the waivers granted under subparagraphs (A) and (B) for that agency to the Board on an annual basis.

(c) REQUIRED BOARD ACTION FOR PRESCRIBING STANDARDS AND INTERPRETATIONS.—Before prescribing cost accounting standards and interpretations, the Board shall—

(1) take into account, after consultation and discussions with the Comptroller General, professional accounting organizations, contractors, and other interested parties—

(A) the probable costs of implementation, including any inflationary effects, compared to the probable benefits;

(B) the advantages, disadvantages, and improvements anticipated in the pricing and administration of, and settlement of disputes concerning, contracts; and

(C) the scope of, and alternatives available to, the action proposed to be taken;

(2) prepare and publish a report in the Federal Register on the issues reviewed under paragraph (1);

(3)(A) publish an advanced notice of proposed rulemaking in the Federal Register to solicit comments on the report prepared under paragraph (2);

(B) provide all parties affected at least 60 days after publication to submit their views and comments; and

(C) during the 60-day period, consult with the Comptroller General and consider any recommendation the Comptroller General may make; and

(4) publish a notice of proposed rulemaking in the Federal Register and provide all parties affected at least 60 days after publication to submit their views and comments.

(d) EFFECTIVE DATES.—Rules, regulations, cost accounting standards, and modifications thereof prescribed or amended under this chapter shall have the full force and effect of law, and shall become effective within 120 days after publication in the Federal Register in final form, unless the Board determines that a longer period is necessary. The Board shall determine implementation dates for contractors and subcontractors. The dates may not be later than the beginning of the second fiscal year of the contractor or subcontractor after the standard becomes effective.

(e) ACCOMPANYING MATERIAL.—Rules, regulations, cost accounting standards, and modifications thereof prescribed or amended under this chapter shall be accompanied by prefatory comments and by illustrations, if necessary.

(f) IMPLEMENTING REGULATIONS.—The Board shall prescribe regulations for the implementation of cost accounting standards prescribed or interpreted under this section. The regulations shall be incorporated into the Federal Acquisition Regulation and shall require contractors and subcontractors as a condition of contracting with the Federal Government to—

(1) disclose in writing their cost accounting practices, including methods of distinguishing direct costs from indirect costs and the basis used for allocating indirect costs; and

(2) agree to a contract price adjustment, with interest, for any increased costs paid to the contractor or subcontractor by the Federal Government because of a change in the contractor's or subcontractor's cost accounting practices or a failure by the contractor or subcontractor to comply with applicable cost accounting standards.

(g) NONAPPLICABILITY OF CERTAIN SECTIONS OF TITLE 5.—Functions exercised under this chapter are not subject to sections 551, 553 to 559, and 701 to 706 of title 5.

(Pub. L. 111–350, § 3, Jan. 4, 2011, 124 Stat. 3696; Pub. L. 114–328, div. A, title VIII, § 820(a)(2), Dec. 23, 2016, 130 Stat. 2274; Pub. L. 115–232, div. A, title VIII, § 836(b)(1), Aug. 13, 2018, 132 Stat. 1860; Pub. L. 117–81, div. A, title XVII, § 1702(h)(3), Dec. 27, 2021, 135 Stat. 2158.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1502(a)	41:422(f)(1), (3).	Pub. L. 93–400, § 26(f), as added Pub. L. 100–679, § 5(a), Nov. 17, 1988, 102 Stat. 4060; Pub. L. 103–355, title II, § 2453, title VIII, § 8301(d), Oct. 13, 1994, 108 Stat. 3326, 3397; Pub. L. 104–106, title XLII, § 4205, title XLIII, § 4321(h)(4), Feb. 10, 1996, 110 Stat. 656, 675; Pub. L. 106–65, title VIII, § 802(a), (b), Oct. 5, 1999, 113 Stat. 701; Pub. L. 109–163, div. A, title VIII, § 822, Jan. 6, 2006, 119 Stat. 3386.
1502(b)(1)	41:422(f)(2), (4).	
1502(b)(2)	41:422(f)(4).	
1502(b)(3)	41:422(f)(5).	
1502(c)	41:422(g)(1).	Pub. L. 93–400, § 26(g), (h)(1), as added Pub. L. 100–679, § 5(a), Nov. 17, 1988, 102 Stat. 4061.
1502(d)	41:422(g)(2) (1st, 2d sentences).	
1502(e)	41:422(g)(2) (last sentence).	
1502(f)	41:422(h)(1).	
1502(g)	41:422(g)(3).	

In subsection (a)(1), the word “make” is omitted as being included in “prescribe”.

In subsection (b)(2)(A), the word “categories” is omitted as being included in “classes”.

In subsection (b)(3)(A)(ii), the words “as in effect on or after the effective date of this paragraph” are omitted as obsolete.

Editorial Notes

AMENDMENTS

2021—Subsec. (b)(1)(B). Pub. L. 117–81 substituted “section 3702(a)(1)(A)” for “section 2306a(a)(1)(A)(i)”.

2018—Subsec. (b)(1)(A). Pub. L. 115–232, § 836(b)(1)(A), substituted “commercial products or commercial services” for “commercial items”.

Subsec. (b)(1)(C)(i). Pub. L. 115–232, § 836(b)(1)(B), substituted “commercial product or commercial service” for “commercial item”.

Subsec. (b)(3)(A)(i). Pub. L. 115–232, § 836(b)(1)(C), substituted “commercial products or commercial services” for “commercial items”.

2016—Subsec. (b)(3)(A). Pub. L. 114–328 substituted “\$100,000,000” for “\$15,000,000” in introductory provisions.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2018 AMENDMENT

Amendment by Pub. L. 115–232 effective Jan. 1, 2020, subject to a savings provision, see section 836(h) of Pub. L. 115–232, set out as an Effective Date of 2018 Amendment; Savings Provision note under section 453b of Title 6, Domestic Security.

EFFECTIVE DATE OF 2016 AMENDMENT

Amendment by Pub. L. 114–328 effective Oct. 1, 2018, see section 820(d) of Pub. L. 114–328, set out as a note under section 1501 of this title.

EFFECTIVE DATE OF AMENDMENT BY PUB. L. 106–65; REGULATIONS; IMPLEMENTATION; CONSTRUCTION

Pub. L. 106–65, div. A, title VIII, § 802(c)–(e), (g)–(i), Oct. 5, 1999, 113 Stat. 701, 702, provided that:

“(c) REGULATION ON TYPES OF CAS COVERAGE.—(1) The Administrator for Federal Procurement Policy shall revise the rules and procedures prescribed pursuant to section 26(f) of the Office of Federal Procurement Policy Act ([former] 41 U.S.C. 422(f)) [now 41 U.S.C. 1502(a), (b)] to the extent necessary to increase the thresholds established in section 9903.201–2 of title 48 of the Code of Federal Regulations from \$25,000,000 to \$50,000,000.

“(2) Paragraph (1) requires only a change of the statement of a threshold condition in the regulation referred to by section number in that paragraph, and shall not be construed as—

“(A) a ratification or expression of approval of—

“(i) any aspect of the regulation; or

“(ii) the manner in which section 26 of the Office of Federal Procurement Policy Act [now 41 U.S.C. 1501 et seq.] is administered through the regulation; or

“(B) a requirement to apply the regulation.

“(d) IMPLEMENTATION.—The Administrator for Federal Procurement Policy shall ensure that this section [see Tables for classification] and the amendments made by this section are implemented in a manner that ensures that the Federal Government can recover costs, as appropriate, in a case in which noncompliance with cost accounting standards, or a change in the cost accounting system of a contractor segment or subcontractor segment that is not determined to be desirable by the Federal Government, results in a shift of costs from contracts that are not covered by the cost accounting standards to contracts that are covered by the cost accounting standards.

“(e) IMPLEMENTATION OF REQUIREMENTS FOR REVISION OF REGULATIONS.—(1) Final regulations required by subsection (c) shall be issued not later than 180 days after the date of the enactment of this Act [Oct. 5, 1999].

“(2) Subsection (c) shall cease to be effective one year after the date on which final regulations issued in accordance with that subsection take effect.

“(g) INAPPLICABILITY OF STANDARDS TO CERTAIN CONTRACTS.—The cost accounting standards issued pursuant to section 26(f) of the Office of Federal Procurement Policy Act ([former] 41 U.S.C. 422(f)) [now 41 U.S.C. 1502(a), (b)], as amended by this section, shall not apply during fiscal year 2000 with respect to a contract entered into under the authority provided in chapter 89 of title 5, United States Code (relating to health benefits for Federal employees).

“(h) CONSTRUCTION REGARDING CERTAIN NOT-FOR-PROFIT ENTITIES.—The amendments made by subsections (a) and (b) [see Tables for classification] shall not be construed as modifying or superseding, nor as intended to impair or restrict, the applicability of the cost accounting standards described in section 26(f) of the Office of Federal Procurement Policy Act ([former] 41 U.S.C. 422(f)) [now 41 U.S.C. 1502(a), (b)] to—

“(1) any educational institution or federally funded research and development center that is associated with an educational institution in accordance with Office of Management and Budget Circular A-21, as in effect on January 1, 1999; or

“(2) any contract with a nonprofit entity that provides research and development and related products or services to the Department of Defense.

“(i) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) [see Tables for classification] shall take effect 180 days after the date of enactment of this Act [Oct. 5, 1999], and shall apply with respect to—

“(1) contracts that are entered into on or after such effective date; and

“(2) determinations made on or after such effective date regarding whether a segment of a contractor or subcontractor is subject to the cost accounting standards under section 26(f) of the Office of Federal Procurement Policy Act ([former] 41 U.S.C. 422(f)) [now 41 U.S.C. 1502(a), (b)], regardless of whether the contracts on which such determinations are made were entered into before, on, or after such date.”

§ 1503. Contract price adjustment

(a) DISAGREEMENT CONSTITUTES A DISPUTE.—If the Federal Government and a contractor or subcontractor fail to agree on a contract price adjustment, including whether the contractor or subcontractor has complied with the applicable cost accounting standards, the disagreement will constitute a dispute under chapter 71 of this title.

(b) AMOUNT OF ADJUSTMENT.—A contract price adjustment undertaken under section 1502(f)(2) of this title shall be made, where applicable, on relevant contracts between the Federal Government and the contractor that are subject to the cost accounting standards so as to protect the Federal Government from payment, in the aggregate, of increased costs, as defined by the Cost Accounting Standards Board. The Federal Government may not recover costs greater than the aggregate increased cost to the Federal Government, as defined by the Board, on the relevant contracts subject to the price adjustment unless the contractor made a change in its cost accounting practices of which it was aware or should have been aware at the time of the price negotiation and which it failed to disclose to the Federal Government.

(c) INTEREST.—The interest rate applicable to a contract price adjustment is the annual rate of interest established under section 6621 of the Internal Revenue Code of 1986 (26 U.S.C. 6621) for the period. Interest accrues from the time payments of the increased costs were made to the contractor or subcontractor to the time the Federal Government receives full compensation for the price adjustment.

(Pub. L. 111-350, § 3, Jan. 4, 2011, 124 Stat. 3699.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1503(a)	41:422(h)(2).	Pub. L. 93-400, §26(h)(2)-(4), as added Pub. L. 100-679, §5(a), Nov. 17, 1988, 102 Stat. 4062.

HISTORICAL AND REVISION NOTES—CONTINUED

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1503(b)	41:422(h)(3).	
1503(c)	41:422(h)(4).	

§ 1504. Effect on other standards and regulations

(a) PREVIOUSLY EXISTING STANDARDS.—All cost accounting standards, waivers, exemptions, interpretations, modifications, rules, and regulations prescribed by the Cost Accounting Standards Board under section 719 of the Defense Production Act of 1950 (50 U.S.C. App. 2168)—¹

(1) remain in effect until amended, superseded, or rescinded by the Board under this chapter; and

(2) are subject to the provisions of this division in the same manner as if prescribed by the Board under this division.

(b) INCONSISTENT AGENCY REGULATIONS.—To ensure that a regulation or proposed regulation of an executive agency is not inconsistent with a cost accounting standard prescribed or amended under this chapter, the Administrator, under the authority in sections 1121, 1122(a) to (c)(1), 1125, 1126, 1130, 1131, and 2305 of this title, shall rescind or deny the promulgation of the inconsistent regulation or proposed regulation and take other appropriate action authorized under sections 1121, 1122(a) to (c)(1), 1125, 1126, 1130, 1131, and 2305.

(c) COSTS NOT SUBJECT TO DIFFERENT STANDARDS.—Costs that are the subject of cost accounting standards prescribed under this chapter are not subject to regulations established by another executive agency that differ from those standards with respect to the measurement, assignment, and allocation of those costs.

(Pub. L. 111-350, § 3, Jan. 4, 2011, 124 Stat. 3699.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1504(a)	41:422(j)(1), (2).	Pub. L. 93-400, §26(j), as added Pub. L. 100-679, §5(a), Nov. 17, 1988, 102 Stat. 4062.
1504(b)	41:422(j)(3).	
1504(c)	41:422(j)(4).	

Editorial Notes

REFERENCES IN TEXT

Section 719 of the Defense Production Act of 1950, referred to in subsec. (a), is section 719 of act Sept. 8, 1950, ch. 932, title VII, as added Pub. L. 91-379, title I, §103, Aug. 15, 1970, 84 Stat. 796, which was classified to section 2168 of the former Appendix to Title 50, War and National Defense, prior to repeal by Pub. L. 100-679, §5(b), Nov. 17, 1988, 102 Stat. 4063.

§ 1505. Examinations

To determine whether a contractor or subcontractor has complied with cost accounting standards prescribed under this chapter and has followed consistently the contractor's or subcontractor's disclosed cost accounting practices, an authorized representative of the head of the agency concerned, of the offices of inspector

¹ See References in Text note below.