

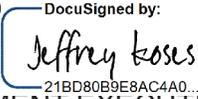


GSA Office of Governmentwide Policy

Class Deviation CD-2021-07

6/25/2021

## MEMORANDUM FOR GSA CONTRACTING ACTIVITIES

FROM: JEFFREY A. KOSES   
 SENIOR PROCUREMENT EXECUTIVE  
 OFFICE OF ACQUISITION POLICY (MV)

SUBJECT: FAR and GSAM Class Deviation - Amending Cost-Reimbursable Contract  
 Closeout Audit Procedures

## 1. Purpose.

This memorandum approves a class deviation for the Federal Acquisition Service (FAS) to deviate from the Federal Acquisition Regulation (FAR) at 4.804-5, 42.705-1, 42.705-2, 42.708(a)(i), and incorporate new guidance in General Services Administration Acquisition Manual (GSAM) at 542.708, to revise closeout audit procedures for cost-reimbursable contracts, including increasing the threshold for formalized cost auditing. This class deviation will also allow FAS contracting officers to rely on Defense Contract Audit Agency (DCAA) procedures for determining cost contracts as low-risk for audit purposes.

## 2. Background.

GSA FAS requested two FAR deviations to streamline and improve closeout procedures.

The first deviation increases the unsettled costs threshold from \$1,000,000 to \$2,000,000. Increasing this threshold will have the benefit of reducing the current backlog of contracts that are eligible for closeout.

Currently, FAR 42.708(a) allows the contracting officer (CO) to negotiate the settlement of direct and indirect costs for a contract, task order, or delivery order ("contract") to be closed in advance of auditing final direct costs and indirect cost rates. However, the FAR limits this negotiation to instances where total unsettled costs are less than \$1,000,000. There is currently no statutory authority that addresses this threshold.

Other agencies have successfully pursued such an increase. Both Department of Defense<sup>1</sup> and Department of Homeland Security<sup>2</sup> have deviations to raise the threshold. Increasing this threshold would provide more consistent policy across government with limited additional risk.

<sup>1</sup> DOD Deviation, DARS 2019 O000-2019, Class Deviation Quick Closeout Procedures Threshold, May 3, 2019

<sup>2</sup> Department of Homeland Security, Class Deviation (Number 16-01), Revision 1 from FAR 42.708, Quick Closeout Procedures, April 5, 2017

The second deviation allows for Defense Contract Audit Agency (DCAA) low-risk memorandums to be used instead of the requirements in FAR 42.705 (Final Indirect Cost Rates). Adopting this procedure will allow for more consistency between GSA FAS and DCAA, which further aligns with a memorandum of understanding (MOU) that was established on February 16, 2021<sup>3</sup>. DHS has also successfully adopted this change.<sup>4</sup>

The procedural relief that GSA FAS is seeking is described in the DCAA Contract Audit Manual (DCAAM 7640.1). In general, low risk memorandums apply to DCAA's audit procedures for incurred cost proposals. To ensure that DCAA's limited audit resources are applied to the areas of highest risk, DCAA developed a risk-based sampling process for auditing and reporting incurred cost proposals. Under this policy, low-risk incurred cost proposals are audited by sampling. When low-risk proposals are not selected for audit, DCAA will issue a memorandum to the CO stating that the submission was not selected for an audit<sup>5</sup>.

The implementation details for the proposed change of utilizing DCAA's low risk memorandums is further addressed as a GSA Acquisition Manual (GSAM) change to provide procedural guidance to acquisition staff. There is no indication of increased risk in utilizing this low risk sampling procedure to the agency, with the anticipated benefit of further reducing the backlog of contracts eligible for closeout.

### **3. Applicability.**

This class deviation applies to GSA FAS, and specifically cost-reimbursable contracts that include FAR clause 52.216-7, Allowable Cost and Payment.

### **4. Authority.**

This class deviation is issued under the authority of FAR 1.404 and General Services Administration Acquisition Manual (GSAM) 501.404. This class deviation is issued following consultation with the Chair of the Civilian Agency Acquisition Council (CAAC) in accordance with FAR 1.404(a) and GSAM 501.404(a).

### **5. Deviation.**

See Attachment A for the changes in the FAR text as revised by this deviation, subsections listed below:

- a. Amending FAR 4.804-5 Procedures for closing out contract files.
- b. Amending FAR 42.705-1 Contracting officer determination procedure.
- c. Amending FAR 42.705-2 Auditor determination procedure.
- d. Amending FAR 42.708 Quick-closeout procedure.

See Attachment B for the changes in the GSAM text as revised by this deviation, section listed below:

- a. Adding GSAM 542.708 Quick-closeout procedure.

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<sup>3</sup> Memorandum of Understanding for GSA and DCAA

<sup>4</sup> Department of Homeland Security, FAR Class Deviation (Number 16- 04) – Defense Contract Audit Agency Policy and Procedure, June 13, 2016 for Sampling Low-Risk Incurred Cost Proposals

<sup>5</sup> DCAA Contract Audit Manual (DCAAM 7640.1)

**6. Effective Date.**

This deviation is effective immediately and remains in effect until rescinded or incorporated into the FAR or GSAM.

**7. Point of Contact.**

Any questions regarding this deviation may be directed to Adina Torbertnsson at [GSARPolicy@gsa.gov](mailto:GSARPolicy@gsa.gov).

**Attachments**

Attachment A – FAR Deviation Text  
Attachment B – GSAM Text  
Attachment C – FAS Business Case

**Class Deviation CD-2021-07  
Attachment A**

**FAR Text, Line-In/Line-Out**

**FAR Baseline: FAC 2021-05 effective 03/10/2021**

- Additions to baseline made by proposed rule are indicated by **[bold text in brackets]**
- Deletions to baseline made by proposed rule are indicated by ~~strikethroughs~~
- Five asterisks (\*\*\*\*\* ) indicate that there are no revisions between the preceding part and/or subpart, and following section
- Three asterisks (\*\*\*) indicate that there are no revisions between the material shown within a section or subsection

**Part 4 - Administrative Matters**

**Subpart 4.8 - Government Contract Files**

**4.804-5 Procedures for closing out contract files.**

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(a) \*\*\*

(12) Contract audit **[(or applicable DCAA desk audit procedures)]** is completed;

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**Part 42 - Contract Administration and Audit Services**

**Subpart 42.7 - Indirect Cost Rates**

**42.705-1 Contracting officer determination procedure.**

\*\*\*

(b) \*\*\*

(2) Once a proposal has been determined to be adequate for audit in support of negotiating final indirect cost rates; ~~[-]~~

**[(i)]** the auditor will audit the proposal and prepare an advisory audit report to the contracting officer (or cognizant Federal agency official), including a listing of any relevant advance agreements or restrictive terms of specific contracts; **or**

**(ii) the contracting officer shall follow agency supplementary regulations].**

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**42.705-2 Auditor determination procedure**

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(b) Procedures. (1) The contractor shall submit to the cognizant contracting officer (or cognizant Federal agency official) and auditor a final indirect cost rate proposal in accordance with 42.705-1(b)(1).

(2) Once a proposal has been determined to be adequate for audit in support of negotiating final indirect cost rates, **[and the procedures at 42.705-1(b)(2)(ii) are not used]**, the auditor shall --- \* \* \*

\* \* \* \* \*

**42.708 Quick-closeout procedure.**

\* \* \*

(a) \* \* \*

(2) The amount of unsettled direct costs and indirect costs to be allocated to the contract, task order, or delivery order is relatively insignificant. Cost amounts will be considered relatively insignificant when the total unsettled direct costs and indirect costs to be allocated to any one contract, task order, or delivery order does not exceed ~~the lesser of-~~

- (i) ~~\$1,000,000;~~ **[\$2,000,000]**; or
- (ii) 10 percent of the total contract, task order, or delivery order amount;

\* \* \* \* \*

**Class Deviation CD-2021-07  
Attachment B**

**GSAM Text, Line-In/Line-Out**

**GSAM Baseline: Change 128 effective 06/22/2021**

- Additions to baseline made by rule are indicated by **[bold text in brackets]**
- Deletions to baseline made by rule are indicated by ~~strikethroughs~~
- Five asterisks ( \* \* \* \* \* ) indicate that there are no revisions between the preceding and following sections
- Three asterisks ( \* \* \* ) indicate that there are no revisions between the material shown within a subsection

**Part 542 - Contract Administration and Audit Services**

**[Subpart 542.7 - Indirect Cost Rates]**

**[542.708 Quick-closeout procedure.**

**(a) *Application.*** FAS contracting officers may use DCAA procedures for sampling low-risk incurred cost proposals instead of the procedures described at FAR 42.705-1 (Contracting Officer Determination Procedure) and 42.705-2 (Auditor Determination Procedure), for contracts that include FAR clause 52.216-7 Allowable Cost and Payment. DCAA can either select the file to audit or not select it. The following are the actions to be taken depending on the actions of DCAA:

- (1) If DCAA selects the file to audit, then the audit results should be filed.
- (2) If DCAA does not select a file for sampling the contracting officer is responsible for receiving from DCAA and filing in the contract file the following:
  - (i) Certificate of final indirect costs
  - (ii) A signed rate agreement
  - (iii) A schedule of direct and indirect costs proposed during the fiscal year
  - (iv) A cumulative allowable cost worksheet.

**(b) *Documentation.*** If GSA is the “single agency” responsible for determining final indirect cost rates (see FAR 42.703-1(a)), the contracting officer may accept:

- (1) auditor-recommended final indirect cost rates; or
- (2) a DCAA-issued low-risk memorandum, issued as a result of low-risk sampling procedures; or
- (3) final indirect cost rates mutually agreed upon by the contracting officer and the contractor in determining the final indirect expenses.

**(c) *Waiver.*** The contracting officer may waive the incurred cost audit requirement if compelling reasons exist for doing so. The decision to waive the audit must be made by the responsible contracting officer, in consultation with his or her legal advisor, and DCAA. The basis for the decision must be documented in the contract file.] \* \* \* \* \*



March 26, 2021

Business Case for Federal Acquisition Regulation (FAR) Class Deviation – in accordance General Services Acquisition Manual (GSAM) 501.304

**I. Name of Service and Contracting Activity Requesting the Change**

Federal Acquisition Service (FAS)

**II. Rationale.**

***a. Description of the Problem or Matter to be Addressed***

To streamline FAS contract closeouts, including those requiring final indirect cost rates.

This class deviation is twofold:

1. This class deviation will allow contracting officers (COs) to negotiate settlements and perform contract closeout using the procedures in FAR 42.708(a) when total unsettled costs are \$2,000,000 or less.

Currently, FAR 42.708(a) allows the CO to negotiate the settlement of direct and indirect costs for a contract, task order, or delivery order (“contract”) to be closed in advance of auditing final direct costs and indirect cost rates. However, the FAR limits this negotiation to instances where total unsettled costs are no more than the lesser of \$1,000,000 or ten percent of the total contract amount.

2. This class deviation will allow FAS COs to rely on Defense Contract Audit Agency (DCAA) procedures for sampling low-risk incurred cost proposals. This will replace procedures in FAR 42.705-1 (CO Determination Procedure) and 42.705-2 (Auditor Determination Procedure).

Acceptance of DCAA’s procedures for sampling low-risk incurred cost proposals aligns with the MOU FAS established with DCAA on February 16, 2021.<sup>1</sup> The deviation would allow COs to accept DCAA low-risk memos instead of following the requirements in FAR 42.703-1 (Policy) and FAR 42.705 (Final Indirect Cost Rates).

***b. Discussion of the Benefit to the Agency and/or Organization.***

FAS does not have audit support available through GSA for incurred cost audits to close out contracts. Efficiencies will be realized by using DCAA procedures that will streamline the closeout process. This deviation is intended to benefit all

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<sup>1</sup> [Memorandum of Understanding between GSA FAS and DCAA](#)

FAS activities where unsettled costs are less than \$2,000,000, or where DCAA will be providing final incurred cost rates.

The immediate need for the deviation is to support the FAS Assisted Acquisition Service (FAS AAS). FAS AAS specializes in awarding complex and sensitive contracts on behalf of Federal agencies on a fee-for-service basis. FAS AAS acquisition processes contribute to its ability to produce best value outcomes with an approach that is customer focused and quality driven.

FAS AAS executes roughly 7,000 contract actions and obligates approximately eight billion dollars (\$8,000,000,000) annually for customer agencies. FAS AAS has a contract closeout backlog of 608 contracts (as of January, 2021). The average time for closeout when waiting for DCAA final incurred cost audits is one to-three years. More specifically, according to a report from the Government Accountability Office, in 2016 a DCAA took an average of 885 days to be completed.<sup>2</sup> In order for AAS to perform on-time closeouts and avoid future backlogs, acceptance of DCAA low-risk sampling procedures, along with more liberal use of Quick Closeout Procedures (QCP) is imperative.

Raising the QCP threshold to \$2,000,000 aligns with DoD class deviation 2019-O0009, issued on May 6, 2019.<sup>3</sup> The increased threshold will assist FAS AAS in closing-out DoD and non-DoD customer contracts. The anticipated benefit of the deviation for FAS is an increase in the applicability of QCP on a higher percentage of expired, flexibly-priced contracts. For example, DoD estimated that the threshold change to \$2,000,000 would increase applicability of QCP to over 76% of their flexibly-priced contracts. FAS AAS anticipate a similar benefit to implementing the higher threshold.

The data currently available does not permit FAS to estimate the total number of hours that can be saved by accepting QCP or accepting DCAA's low-risk memos. However, FAS estimates \$137 per hour in cost avoidance for each auditor and workforce hour saved in monitoring closeout-eligible contracts using both alternatives. DoD estimated savings based on a minimum of one hour per contract to track their contract closeout backlog. This resulted in a calculated cost avoidance of 18,690 hours. For FAS AAS contracts, the savings equate to a minimum of 608 auditor and workforce hours, resulting in \$166,592 in cost avoidance for contracts waiting to be closed out.

The established MOU and Chapter 6 of the DCAA Contract Audit Manual (DCAAM 7640.1) include DCAA's audit procedures for incurred cost proposals. To ensure that DCAA's limited audit resources are applied to the areas of highest risk, DCAA developed a risk-based sampling process for auditing and reporting incurred cost proposals. In accordance with DCAA's procedures, when low-risk proposals are not selected for audit, DCAA will issue a memo to the CO stating that the submission was not selected for an audit. The memo will include the

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<sup>2</sup> <https://www.gao.gov/assets/690/687498.pdf>

<sup>3</sup> [DoD Class Deviation 2019-O0009. Quick-Closeout Procedures Threshold](#)

certificate of final indirect costs, a signed rate agreement, a schedule of direct and indirect costs proposed during the fiscal year (Schedule H), and a cumulative allowable cost worksheet, when possible. The deviation is required for acceptance of the memos resulting from DCAA's low-risk sampling procedures.

The deviation will also result in benefits to FAS AAS customer agencies through increased regulatory compliance, a reduced backlog, and timely closeout of financial records - including interagency agreements and military interdepartmental purchase requests (MIPRs).

**III. A discussion of the effect, if any, on GSA's internal operating procedures, including an analysis of any impact on the following—**

**a. *The acquisition workforce;***

The deviation to increase the QCP threshold and accept DCAA low-risk memos will translate into time savings and improved contract closeout compliance for the FAS acquisition workforce.

Use of DCAA's low-risk sampling methodology will allow FAS COs to avoid delayed closeouts due to limited DCAA resources. In addition, the increased QCP threshold will allow COs to close out an increased number of contracts with relatively insignificant unsettled costs (as defined in FAR 42.708(a)(2)). For contracts that DCAA determines are low-risk, time savings will also be realized by accepting DCAA's low-risk memos instead of waiting for a full DCAA audit of incurred costs.

The deviation will make it possible for COs to close out a higher number of contracts within the timelines prescribed at FAR 4.804-1.

**b. *Another office within GSA (e.g., FAS, PBS, OSDBU, OIG);***

This class deviation would be applicable to all contracts awarded by FAS.

**c. *Automated systems (i.e., financial and procurement).***

Not applicable. No automated system impacts have been identified.

**IV. A discussion of the effect on contractors or offerors, if any, including an analysis of the following—**

**a. *The contracts and contractors affected (e.g. number, dollar value, and business size);***

**Number of Contracts/Dollar Value:** According to data obtained from the Federal Procurement Data System-Next Generation (FPDS-NG), FAS AAS awarded 160 cost-reimbursement contracts to 63 contractors between fiscal

years 2015-2019, with a total value of \$40,348,456,467.<sup>4</sup> The number of contractors awarded cost-reimbursement contracts, including small businesses, does not vary significantly when compared to the previous five years.

**Small Businesses:** The list of contracts provided to DCAA for audit support shows 17 small businesses will benefit from the deviation. This includes 18 cost-reimbursement contracts to 17 small business concerns. Therefore, the pool of affected small businesses is approximately 27% of the 63 contractors awarded cost-reimbursement contracts between fiscal years 2015-2019.

As of January, 2021, 608 total FAS AAS closeouts are waiting to be closed out. The deviation will allow for approximately 117 contracts listed as “past due” (expired in fiscal years 2007-2020) to be closed out without audit. In the future, FAS AAS estimates the deviation may affect up to an additional 149 contracts that will expire between fiscal years 2021-2030.<sup>5</sup>

***b. The estimated annual costs and benefits associated with the proposed change;***

There are no anticipated costs to the agency to deviate from the unsettled costs threshold defined in the FAR. The change will allow FAS to perform contract closeouts within the timelines required at FAR 4.804-1. In addition, there are no anticipated costs to request DCAA assistance for DoD contracts. In fiscal year 2020, DoD contracts comprised 116 of the 149 contracts planned for DCAA audit support, or 78%.<sup>5</sup> For non-DoD contracts, the cost to FAS for DCAA final incurred cost audit support will be offset by fees FAS AAS will charge to civilian clients for affected contract actions. Fees for the remaining 22% of non-DoD contracts will be identified in interagency agreements on a case-by-case basis.

***c. The burden of new information collection requirements (see [44 U.S.C. 3501, et seq.](#)), if any, associated with the proposed change (see [5 CFR 1320.8](#)).***

Not applicable. No new information collection requirements have been identified.

***d. An analysis of alternatives, risks, and risk mitigation;***

**Alternatives:** Without the approval of the deviation, FAS will continue to experience reduced compliance with the closeout timelines required by FAR 4.804-1. In addition, the existing FAR threshold for “unsettled costs” will continue to delay closeouts due to audit requirements for relatively insignificant unsettled costs.

**Risks:** The risk of entrusting DCAA with audit support for FAS expired contracts is low. DCAA is a federal agency with expertise in flexibly-priced contract audits

<sup>4</sup> [FAS AAS FPDS Data Fiscal Years 2015-2019](#)[AAS FPDS Data FY 2015-2019](#)

<sup>5</sup> [Fiscal Year 2020 FAS AAS Contracts for DCAA Audit](#)

and cognizance over all such DoD contracts. Since low-risk memos have been used successfully by DoD COs, the procedures are well documented.

The risk of increasing the QCP threshold to align FAS authority with DoD is low. DoD has successfully implemented the increased QCP threshold with unsettled costs of less than \$2,000,000 determined to be “relatively insignificant” for large-dollar, flexibly-priced contracts. FAS anticipates similar results.

To mitigate risks, closeouts will still be tracked to ensure they are completed in a timely manner. In addition, if an increase in annual claims were to materialize, this threshold could be reevaluated.

***e. A discussion of the approach to be used to implement and monitor success;***

FAS’s approach for implementing the deviation will include leveraging the FAS AAS Program Management Office (PMO)’s closeout tracking tool.

FAS AAS was identified as the most immediate use case for the deviation. As such, metrics from the FAS AAS closeout tracking tool will be monitored for visibility into the deviation’s impact in closeout backlog resolution and compliance over time.

The specific metric of interest will be the percentage of flexibly-priced contract closeouts completed within the timelines prescribed at FAR 4.804-1.

***f. The proposed amendments to the FAR or the GSAM in line-in line-out format;***

See language on Page 9.

***g. A listing of the organization(s), if any, that have been briefed or involved in drafting the proposed amendments (e.g., Office of Federal Procurement Policy, Category Management Leadership Council);***

The MOU with DCAA was facilitated by the Office of Policy and Compliance (FAS OPC). The Office of General Counsel has been briefed on both parts of this deviation and have provided their statement of legal sufficiency. An Acquisition Review Briefing (ARB) for the Senior Procurement Executive was held on October 21, 2020 in accordance with GSAM 501.404(b).

***h. A statement of legal sufficiency from the requestor’s legal counsel.***

This business case was reviewed by legal counsel and found to be legally sufficient on February 26, 2021. The business was edited to substantially re-arrange information and was still deemed legally sufficient on March 23, 2021.

**V. Additional Information in accordance with GSAM 501.470**

**a. Identification of the type deviation (i.e., an individual or class deviation);**

This is a class deviation.

**b. Identification of which paragraph(s) of FAR 1.401 best categorizes the request;**

This class deviation falls under FAR 1.401(a) and (e).

**c. Citations to the specific part or parts of the FAR or GSAM from which a deviation is needed;**

This Business Case supports a class deviation in accordance with Federal Acquisition Regulation (FAR) 1.404 and General Services Acquisition Manual (GSAM) 501. It authorizes contracting activities within FAS to deviate from the requirements at the following FAR subsections: 4.804-5(a)(12), 42.705-1(b)(2), 42.705-2(b)(2)(i), 42.708(a)(2)(i) and (ii). This class deviation also implements the October 29, 2013 Defense Contract Audit Agency (DCAA) policy regarding audits of low-risk incurred cost proposals and mirrors the following class deviations:

- [Department of Defense FAR Deviation 2019-00009 – Quick-Closeout Procedure Threshold](#)
- [Department of Defense FAR Deviation 2012-O0013 – DCAA Policy and Procedure for Sampling Low-Risk Incurred Cost Proposals](#), and
- [Department of Homeland Security FAR Deviation Number 16-04 – Defense Contract Audit Agency Policy and Procedure for Sampling Low-Risk Incurred Cost Proposals](#)

**d. The proposed effective period of the deviation;**

This proposed deviation would be effective immediately until incorporated into the GSAM, or otherwise rescinded.

**e. If the request is to support a new acquisition, provide a copy of the draft solicitation and acquisition plan.**

Not applicable. The request does not support a new acquisition.

**OFFICE OF POLICY AND COMPLIANCE CONCURRENCE:**

I have reviewed this class deviation and I have determined to the best of my knowledge and belief, based on the information contained herein, that it complies with all applicable policies and regulations.

DocuSigned by:  
*Leah Price*  
D99876B8B8834F8... Acting OPC AC 4/1/21

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Mark J. Lee  
Assistant Commissioner  
FAS, Office of Policy and Compliance

**APPROVAL:**

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Jeffrey A. Koses  
Senior Procurement Executive  
GSA, Office of Acquisition Policy

## Deviation Line-In/Line-Out Text

See below for applicable baseline

- Additions to baseline made by proposed rule are indicated by [bold text in brackets]
- Deletions to baseline made by proposed rule are indicated by strikethroughs
- Five asterisks (\*\*\*\*\* ) indicate that there are no revisions between the preceding part and/or subpart, and following section
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**FAR Baseline: FAC 2021-04 effective 01/19/2021**

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## Federal Acquisition Regulation

### Part 4 - Administrative Matters

#### Subpart 4.8 - Government Contract Files

##### 4.804-5 Procedures for closing out contract files.

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(a) \*\*\*

(12) Contract audit [(or DCAA desk audit procedures for low-risk incurred cost proposals, as applicable)] is completed;

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### Part 42 - Contract Administration and Audit Services

#### Subpart 42.7 - Indirect Cost Rates

##### 42.705-1 Contracting officer determination procedure.

\*\*\*

(b) \*\*\*

(2) Once a proposal has been determined to be adequate for audit in support of negotiating final indirect cost rates, the auditor will audit the proposal [(or apply DCAA desk audit or sampling procedures to the proposal)] and prepare an advisory audit report to the contracting officer (or cognizant Federal agency official), including a listing of any relevant advance agreements or restrictive terms of specific contracts.

##### 42.705-2 Auditor determination procedure.

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(b) \*\*\*

(2) Once a proposal has been determined to be adequate for audit in support of negotiating final indirect cost rates, the auditor shall-

(i) Audit the proposal and prepare an advisory audit report, or **[assess the proposal for risk and assign it to the high or low-risk pool accordingly,]** including a listing of any relevant advance agreements or restrictive terms of specific contracts;

**(A) For low-risk proposals, select a random sample for full audit and use desk auditing procedures on remaining proposals. (The contracting officer shall continue relying on either DCAA audit reports or DCAA memos issued for low-risk incurred cost proposals);]**

\* \* \*

#### **42.708 Quick-closeout procedure.**

\* \* \*

(a) \* \* \*

(2) The amount of unsettled direct costs and indirect costs to be allocated to the contract, task order, or delivery order is relatively insignificant. Cost amounts will be considered relatively insignificant when the total unsettled direct costs and indirect costs to be allocated to any one contract, task order, or delivery order does not exceed ~~the lesser of-~~

~~(i) \$1,000,000; or~~

~~(ii) 10 percent of the total contract, task order, or delivery order amount;~~

**[\$2,000,000;]**

\* \* \*

**[(5) If GSA is the “single agency” responsible for determining final indirect cost rates (see FAR 42.703-1(a)), the contracting officer may accept:**

**(i) auditor-recommended final indirect cost rates; or**

**(ii) a DCAA-issued low-risk memorandum, issued as a result of low-risk sampling procedures; or**

**(iii) final indirect cost rates mutually agreed upon by the contracting officer and the contractor in determining the final indirect expenses.**

**(6) The contracting officer may waive the incurred cost audit requirement if compelling reasons exist for doing so. The decision to waive the audit must be made by the responsible contracting officer, in consultation with his or her legal advisor, and DCAA. The basis for the decision must be documented in the contract file.]**