

## **Part I Chapter 17 Approval of Accounting System**

- A. Requirements.** Before an agency can enter into a contract, the head of the purchasing agency must first determine, in writing, that:
1. The proposed contractor's accounting system will permit timely development of all necessary cost data in the form required by the specific contract type contemplated.
  2. The proposed contractor's accounting system is adequate to allocate costs in accordance with generally accepted accounting principles.
- B. Exception.** A contract may be used without a prior written determination of an approved accounting system if the contract is a firm, fixed price contract or an emergency procurement contract, or if the contract is for an emergency procurement.
1. A firm, fixed price contract is a contract where the total amount to be paid to the contractor is fixed and is not subject to adjustment by a reason of the cost experience of the contractor.
  2. A firm, fixed price contract includes contracts where the unit price is set but the total price varies because actual quantities purchased deviate from the quantities estimated to be purchased.
  3. Firm, fixed price contracts also include contracts where the price may be adjusted in accordance with a contractually-established price adjustment provision which is not based upon the contractor's cost.
- C. Reason for Requirement.** To ensure proper and acceptable methodology for providing detail to support a billing.