

## 42.803 Disallowing costs after incurrence.

Cost-reimbursement contracts, the cost-reimbursement portion of fixed-price contracts, letter contracts that provide for reimbursement of costs, and time-and-material and labor-hour contracts provide for disallowing costs during the course of performance after the costs have been incurred. The following procedures *shall* apply:

(a) *Contracting officer receipt of vouchers.* When *contracting officers* receive vouchers directly from the contractor and, with or without auditor assistance, approve or disapprove them, the process *shall* be conducted in accordance with the normal procedures of the individual agency.

(b) Auditor receipt of vouchers.

(1) When authorized by agency regulations, the contract auditor *may* be authorized to (i) receive reimbursement vouchers directly from contractors, (ii) approve for payment those vouchers found acceptable, and (iii) suspend payment of questionable costs. The auditor *shall* forward approved vouchers for payment to the cognizant *contracting*, finance, or disbursing officer, as appropriate under the agency's procedures.

(2) If the examination of a voucher raises a question regarding the allowability of a cost under the contract terms, the auditor, after informal discussion as appropriate, *may*, where authorized by agency regulations, issue a notice of contract costs suspended and/or disapproved simultaneously to the contractor and the disbursing officer, with a copy to the cognizant *contracting officer*, for deduction from current payments with respect to costs claimed but not considered reimbursable.

(3) If the contractor disagrees with the deduction from current payments, the contractor *may*-

(i) Submit a written request to the cognizant *contracting officer* to consider whether the unreimbursed costs *should* be paid and to discuss the findings with the contractor;

(ii) File a *claim* under the Disputes clause, which the cognizant *contracting officer* will process in accordance with agency procedures; or

(iii) Do both of the above.

**Parent topic:** [Subpart 42.8 - Disallowance of Costs](#)