



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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Office of Federal Procurement Policy
Cost Accounting Standards Board
725 17th Street, NW, Room 9013
Washington, DC 20503

Dear Sir:

We reviewed the Cost Accounting Standards (CAS) Board Notice of Request for Information on the exemption from CAS for contracts and subcontracts otherwise subject to CAS but for the fact that they are executed and performed entirely outside the United States, its territories, and possessions (overseas exemption). In general, we believe that the same or similar laws and regulations should be applicable to contractors or contracts whether the work is performed in the United States or overseas. Therefore, the overseas exemption should be eliminated to further implement the CAS Board's "mandate to achieve uniformity and consistency in the cost accounting standards governing measurement, assignment, and allocation of costs to contracts with the United States."

The objective of CAS is to achieve consistency and uniformity in how contractors estimated and allocated costs. Eliminating the overseas exemption for contracts and subcontracts that would otherwise be subject to CAS should ensure that contractors treat contract costs in like circumstances in a consistent and uniform manner. Contractors performing work overseas may use the overseas exemption to hide potential fraudulent activities. Additionally, since the overseas exemption was first enacted, the Government contracting environment has changed significantly due to increased globalization of world markets and advances in information and communication technology. The Public expects that all Government contractors will adhere to the same standards no matter where the work is performed. Finally, eliminating the overseas exemption should positively impact the integrity of the Government acquisition process.

Thank you for the opportunity to comment on the overseas exemption. If you have any questions, please contact Mr. James Turcol, Technical Specialist, at (703) 604-8737, or by email at James.turcol@dodig.mil.

Carolyn R. Davis
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