

## 16.301-3 Limitations.

(a) A cost-reimbursement contract *may* be used only when

(1) The factors in [16.104](#) have been considered;

(2) A written *acquisition* plan has been approved and signed at least one level above the *contracting officer*;

(3) The contractor's accounting system is adequate for determining costs applicable to the contract or order; and

(4) Prior to award of the contract or order, adequate Government resources are available to award and manage a contract other than firm-fixed-priced (see [7.104\(e\)](#)). This includes appropriate Government surveillance during performance in accordance with [1.602-2](#), to provide reasonable assurance that efficient methods and effective cost controls are used.

(b) The use of cost-reimbursement contracts is prohibited for the *acquisition* of *commercial products* and *commercial services* (see [parts 2](#) and [12](#)).

**Parent topic:** [16.301 General](#).