



Homeland
Security

MEMORANDUM FOR: Heads of Contracting Activities

FROM: Paul Courtney
Chief Procurement Officer

PAUL R COURTNEY

Digitally signed by PAUL R
COURTNEY
Date: 2025.08.05 12:28:01 -04'00'

SUBJECT: HSAR Class Deviation (Number 25-04) for HSAR Part 3031 in Support of Executive Order on Restoring Common Sense to Federal Procurement

- 1. Purpose.** This memorandum approves a class deviation to the Homeland Security Acquisition Regulation (HSAR) part 3031 for purposes of implementing Federal Acquisition Regulation Class Deviation (Number 25-12) for FAR Part 31 in support of Executive Order 14275 on Restoring Common Sense to Federal Procurement.
- 2. Background.** [Executive Order \(E.O.\) 14275, Restoring Common Sense to Federal Procurement](#), signed April 15, 2025, mandates a comprehensive review and simplification of the FAR.

The FAR is being updated to:

- Eliminate non-statutory language
- Remove redundant or obsolete language
- Enhance clarity through plain language
- Align with the new FAR framework
- Preserve essential governmentwide acquisition standards

This project is referred to as the Revolutionary FAR Overhaul (RFO) initiative. This initiative will make the FAR more concise, understandable, and focused on core procurement requirements. Department of Homeland Security (DHS) FAR Class Deviation Number 25-12 for FAR Part 31 was issued on July 31, 2025.

Statutory requirements and principles retained in the RFO FAR part 31 model deviation include, but are not limited to, the following:

- Armed Services Procurement Act of 1947, Public Law 413
- 41 U.S.C. Chapter 43 and 10 U.S.C. Chapter 273, Allowable Costs
- 31 U.S.C. Chapter 37, Subchapter III, Claims Against the United States Government
- 18 U.S.C. § 1031, Major Fraud Against the United States
- OMB Circular A-122, Cost Principles for Nonprofit Organizations
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

- 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards
 - 31 U.S.C. Chapter 11, 31 U.S.C. §§ 503-504, 31 U.S.C. §6307, 31 U.S.C. §§7501-7507, The Cost Principles for Educational Institutions; State, Local, and Federally Recognized Indian Tribal Governments; and Nonprofit Organizations
3. **Summary of Changes.** HSAR Part 3031, Contract Cost Principles and Procedures, has been updated to align with DHS FAR Class Deviation Number 25-25.
 4. **Instructions.** The DHS acquisition workforce shall follow this HSAR Part 3031 deviation text instead of HSAR Part 3031 as codified at 48 CFR Chapter 30.
 5. **Applicability.** This class deviation applies to all DHS procurements.
 6. **Authority.** This class deviation is issued under the authority of [E.O. 14275](#), [OMB M- 25-25](#), 48 CFR 1.4, and RFO FAR 1.304.
 7. **Effective Date.** This class deviation is effective immediately and remains in effect until rescinded or incorporated into the HSAR.
 8. **Points of Contact.** Questions regarding this class deviation may be directed to Acquisition Policy and Legislation Branch at Acquisition.Policy@hq.dhs.gov.

Attachment: HSAR Class Deviation 25-04 for HSAR Part 3031 Contract Cost Principles and Procedures (DEVIATION) (AUG 2025) – CLEAN VERSION

PART 3031 CONTRACT COST PRINCIPLES AND PROCEDURES

Subpart 3031.1 Applicability

3031.105-70 Construction and architect-engineer contracts.

Subpart 3031.2 Contracts with Commercial Organizations.

3031.205 Selected costs.

3031.205-670 Compensation for personal services.

3031.205-3270 Precontract costs.

3031.205-3370 Professional and consultant service costs.

Subpart 3031.1 Applicability

3031.105-70 Construction and architect-engineer contracts.

(a) In addition to section 31.105 of FAR Class Deviation 25-12, contracting officers must coordinate with the Component legal counsel before applying predetermined equipment rates for major construction projects.

(b) When using predetermined rates such as the U.S. Army Corps of Engineers Construction Equipment Ownership and Operating Expense Schedule, the contracting officer must ensure schedules are adjusted to remove unallowable costs in accordance with 31.105(e)(1)(ii)(C) of FAR Class Deviation 25-12 and ensure any use of the schedule is justified and documented in the contract file.

Subpart 3031.2 Contracts with Commercial Organizations

3031.205 Selected costs.

3031.205-670 Compensation for personal services.

When reviewing proposed or incurred costs for compensation, contracting officers shall coordinate with legal counsel before disallowing costs related to executive compensation that may be challenged under section 31.205-6(o) of FAR Class Deviation 25-12.

3031.205-3270 Precontract costs.

(a) The decision to incur precontract costs is that of the contractor. DHS employees may not authorize, demand, or require a contractor to incur precontract costs. The contracting officer must advise the prospective contractor that any costs incurred before contract award are incurred at the contractor's sole risk and that if negotiations fail to result in a binding contract, payment of these costs will not be made by the Government. See paragraph (b) of this section regarding exception due to reconciliation of costs.

HSAR Class Deviation 25-04 for HSAR Part 3031 Contract Cost Principles and Procedures
(DEVIATION) (AUG 2025) – CLEAN VERSION

(b) When the contracting officer determines that incurring precontract costs was necessary to meet the proposed contract delivery schedule of a cost-reimbursement contract, the clause at (HSAR) 48 CFR 3052.231-70, Precontract Costs, or as may be directed in future deviations, may be inserted in the resultant contract.

3031.205-3370 Professional and consultant service costs.

(a) The contracting officer must ensure all consultant agreements include clear deliverables, timeframes, and rates prior to allowing reimbursement.

(b) Supporting documentation, including evidence of work performed and benefit received, must be reviewed and approved at a level above the contracting officer before such costs are accepted.