This approval poses no increased human risk from exposure to residues of the new animal drugs chlortetracycline hydrochloride and monensin because the number of food-producing animals receiving medication will not significantly increase, and because the combination consists of drugs of which have previously been approved for use separately at the indicated dosage levels, for the same duration, and for the same indications. Accordingly, under the Bureau's supplemental approval policy, this approval did not require reevaluation of the safety and efficacy data supporting the parent applications.

In accordance with the freedom of information provisions of Part 20 (21 CFR Part 20) and § 514.11(e)(2)(ii) (21 CFR 514.11(e)(2)(ii)), a summary of safety and effectiveness data and information submitted to support approval of this application may be seen in the Dockets Management Branch (HFA–305), Food and Drug Administration, Rm. 4–62, 5600 Fishers Lane, Rockville, MD 20857, from 9 a.m. to 4 p.m., Monday through Friday.

The Bureau of Veterinary Medicine has determined pursuant to 21 CFR 25.24(d)(1)(ii) (proposed December 11, 1979; 44 FR 71742) that this action is of a type that does not individually or cumulatively have a significant impact on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

This action is governed by the provisions of 5 U.S.C. 556 and 557 and is therefore excluded from Executive Order 12291 by section 1(a)(1) of the Order.

Therefore, under the Federal Food, Drug, and Cosmetic Act (Sec. 512(i), 82 Stat. 347 (21 U.S.C. 360b(i))) and under authority delegated to the Commissioner of Food and Drugs (21 CFR 5.10 (formerly 5.1; see 46 FR 26052; May 11, 1981)) and redelegated to the Bureau of Veterinary Medicine (21 CFR 5.83), Part 558 is amended as follows:

PART 558—NEW ANIMAL DRUGS FOR USE IN ANIMAL FEEDS

1. In § 558.128 by redesignating the present items in paragraphs (e)(4)(viii) through (e)(4)(x) as items (e)(4)(ix) through (e)(4)(xi) and by adding new item (viii) to read as follows:

§ 558.128 Chlortetracycline.

* * * * *

(e) * * *

(4) * * *

(viii) Monensin in accordance with § 558.355.

* * * * *

2. In § 558.355 by adding new paragraphs (b)(8) and (f)(1)(xiv) to read as follows:

§ 558.355 Monensin.

* * * * *

(b) * * *

(8) To 010042: 45 grams per pound, as monensin sodium provided by No. 000986, paragraph (f)(1)(xiv) of this section.

* * * * *

(f) * * *

(1) * * *

(xiv) *Amount per ton.* Monensin, 90 to 110 grams, plus 500 grams chlortetracycline.

(*a*) *Indications for use.* As an aid in the reduction of mortality due to *Escherichia coli* infections susceptible to such treatment. As an aid in the prevention of coccidiosis caused by *Eimeria necatrix, E. tenella, E. acervulina, E. brunetti, E. mivati,* and *E. maxima.*

(*b*) *Limitations.* Do not feed to laying chickens; feed for 5 days as the sole ration; withdraw 72 hours before slaughter; not to be fed continuously for more than 5 days; as monensin sodium; as chlortetracycline hydrochloride provided by No. 010042 in § 510.600(c) of this chapter.

* * * * *

Effective date. This amendment is effective March 5, 1982.

(Sec. 512(i), 82 Stat. 347 (21 U.S.C. 360b(i)))

Dated: February 26, 1982.

Terence Harvey,

Deputy Director, Bureau of Veterinary Medicine.

[FR Doc. 82–5802 Filed 3–4–82; 8:45 am]

BILLING CODE 4160–01–M

DEPARTMENT OF DEFENSE

32 CFR Parts 1–39

[DAC 76–31]

Defense Acquisition Regulation

AGENCY: Department of Defense.

ACTION: Final rule.

SUMMARY: This document publishes changes to the Defense Acquisition Regulation contained in the Code of Federal Regulations. The changes are the same as those in Defense Acquisition Circular 76–31. Some of the changes include: Flexible progress payments; prohibition on recovery of lobbying costs; cost index; blanket purchase agreements; hospital laundry; performance and payment bonds; insurance; contract pricing proposal forms; bid bonds, and performance and payment bonds; architect-engineer selection process; use of source load container costs in contract bid evaluations; performance of contract administration services for non-DoD organizations; assignment of criticality designator by purchasing office; material inspection and receiving report, close-out of Category C Contracts; and editorial changes. In addition to these changes, there is published information material concerning logistic support and privileges for DoD contractor personnel and dependents.

EFFECTIVE DATE: October 30, 1981.

FOR FURTHER INFORMATION CONTACT: J. Brannan, Director, Defense Acquisition Regulatory Council, Room 3D1028, Pentagon, Washington, D.C. 20301, Telephone 202–697–7266.

SUPPLEMENTARY INFORMATION:

Background

The Defense Acquisition Regulation (DAR) is codified in Title 32, Parts 1–39, Volumes I, II, and III, of the Code of Federal Regulations (CFR). The July 1, 1979 revision of the CFR, as supplemented on July 1, 1980, is the most recent edition of that title. It reflects amendments to the 1976 edition of the DAR made by Defense Acquisition Circulars 76–1 through 76–23.

The Department of Defense announced the promulgation of the 1979 CFR edition in the **Federal Register** of December 31, 1979 (44 FR 77158), and also announced at that time that subsequent amendments to the DAR would be published in the **Federal Register.**

Defense Acquisition Circular 76–31.

This document contains amendments to the Defense Acquisition Regulation in the form of replacement pages which were included in DAC 76–31, issued October 30, 1981. The following is a summary of the amendments:

Flexible Progress Payments. Appendix E and Sections VII and XXIII of the DAR are revised to include provisions for flexible progress payments. Uniform standard progress payment rates are increased to 90% for other than small business concerns and 95% for small business concerns. The frequency of progress payments is changed from bi-weekly to monthly. The flexible progress payment procedure represents a new approach toward contract financing. The progress payment rate is derived by use of a specially developed computer program. A user's guide, which is available from the Defense Technical Information Center, Cameron Station, Alexandria,

Virginia 22314, contains detailed instructions and examples of the operation of the flexible progress payment procedure. These changes are effective on receipt of DAC 76–31 (see DAR 1–106.2(d)), or of Departmental guidance previously distributed, whichever is earlier. These changes are also effective for undefinitized letter contracts if there has been no agreement on contract price prior to receipt of this direction. Contracting Officers are not to consider these changes in the development of prenegotiation profit objectives.

Prohibition of Recovery of Lobbying Costs. Secretary of Defense Caspar W. Weinberger has directed that contractors be prohibited from charging lobbying costs to Defense contracts. To implement this decision, a new cost principle, 15–205–51, has been established, and a new paragraph has been added as 3–709.

Economic Price Adjustment Clause Based on Labor or Material Cost (Cost Index Method). Paragraph 3–404.3(c)(3)c.4 has been revised to require that any contract containing any Economic Price Adjustment (EPA) clause where the index is subject to revision, e.g., a Bureau of Labor Statistics Producer Price Index, must state if any later contract price revision is to be based on the initial publication or the final revised version of the index.

Blanket Purchase Agreements (BPAs). DAR 3–605.2 and 3–605.3(f)(iv) are revised to increase the BPA call ceiling for Non-Inventory Control Points from $5,000 to $10,000.

Hospital Laundry. DAR Sections VII and XXII are revised to provide coverage for contracting for laundry services on the basis of bulk weight, to reflect when bulk weight and count of articles bases are to be used, which clauses are to be used with respective bases, and to provide instructions concerning the use of the clauses.

Performance and Payment Bonds. DAR 10–202 is revised to add "for Performance and Payment Bonds" to the title, "Options in Lieu of Sureties."

Insurance. DAR 15–205.16(a)(2)(iii) is revised to substitute the word "property" for "casualty." This change will clarify the intent to refer to insurance which the contractor has against damage to its own property, and not insurance against liability for damage to property of third parties.

Contract Pricing Proposal Forms. DAR 16–206.1 is revised to add the requirement for inclusion of summary totals by cost element, when submitting DD Form 633 cost data.

Bid Bonds, and Performance and Payment Bonds. DAR 16–401.2 has been changed to conform with Pub. L. 95–585, which raised the construction contract amount for application of the Miller Act bonding requirements from $2,000 to $25,000.

Architect-Engineer Selection Process. DAR 18–402.1(v) is revised to include "small disadvantaged" business firms in considerations for selection of architect-engineer firms for professional services contracts.

Use of Source Load Container Costs in Contract Bid Evaluations. DAR 19–208.2(c), 19–213.1(a), 19–301.2(a) and 19–403.1 have been modified to assure that source load container (seavan) transport costs are considered in the bid evaluation process.

Performance of Contract Administration Services for Non-DoD Organizations. DAR 20–503 is revised to permit flexibility in providing contract administration services to other U.S. Government Departments and Agencies, based on availability of resources.

Assignment of Criticality Designator by Purchasing Office. The definitions applicable to each of the Criticality Designators used by the Contract Administration Office (CAO) to allocate its resources, have been changed at DAR 25–103 to draw more accurate distinctions between the various prime contracts being assigned for administration.

Material Inspection and Receiving Report. Coverage in Appendix I, Parts 1 and 4, is revised to permit consolidation on one DD Form 250, of coal shipments made on the same day to the same destination, against the same contract line item. In addition, coverage in Appendix I, Parts 5, 6 and 7 is revised to clarify preparation instructions and to update Tables 3 and 4 for distribution of the DD Form 250–1, Tanker/Barge Material Inspection and Receiving Report, for bulk tanker and barge movements. Table 5, no longer required, is deleted.

Close-Out of Category C Contracts, S2–305(a). Revisions have been made to the standard times contained in Supplement No. 2 to the DAR, Contract File Maintenance, Close-Out and Disposition, to recognize the longer periods to "close-out" those contracts which require settlement of overhead rates.

Note: DAR Supplements are not included as part of the CFR.

Editorial Changes. Editorial changes are included in this DAC to correct typographical errors or administrative oversight, and to provide other editorial corrections. Page 3:70 is reprinted to include notation at bottom of the page, omitted in DAC #76–30. Page 7:526–I is reprinted to include the notation "DAC #76–30" at top of the page, omitted in DAC #76–30.

Because the Defense Acquisition Regulation concerns agency management, public property, and contracts, it is not necessary to issue proposed rules for public comment. Neither is it necessary to delay the effective date until 30 days after the date of publication of these rules, 5 U.S.C. 533 (a) and (d). The amendments became effective on October 30, 1981.

How to Use Replacement Pages

Reproduced at the end of this document are replacement pages from DAC 76–31. The number at the top of each page (for example, 3:31) identifies the page from the Regulation which is being replaced. The number at the bottom of the page is a reference to the last appearing numbered paragraph on that page, or if none shows, on a preceding page. The vertical line in the right margin indicates where the amendment is located.

Adoption of Amendments

Therefore, the Defense Acquisition Regulation contained in the July 1, 1979 edition of 32 CFR Parts 1–39, Volumes I, II, and III, as supplemented on July 1, 1980, is amended in DAR paragraphs indicated by substitution of the replacement pages listed in the table:

DAR paragraph	Replacement pages
Volume I	
3–404.3	3:32
3–605.2	3:79–A
3–605.3	3:81
3–709	3:109
Volume II	
7–104.35	7:82, 7:83, 7:84, 7:84–B through 7:84–D, 7:85, 7:86 through 7:86–D, 7:87
7–1400	7:420
7–1401	7:420
7–1401.3 (deleted) Reserved	7:420
7–1401.4	7:420
7–1401.5	7:420, 7:421, 7:421–A
7–1401.6	7:421–A, 7:421–B
7–1401.8	7:421–B
7–1401.9 (deleted) Reserved	7:421–B
7–1401.10 (deleted) Reserved	7:421–B
7–1401.14 (add)	7:422
7–2003.60	7:520, 7:520–A
10–202	10:15
15–205.16	15:26
15–205.51 (add)	15:52, 15:52–A
Volume III	
16–206.1	16:14, 16:15
16–401.2	16:18, 16:19
18–402.1	18:16
19–208.2	19:10
19–213.1	19:12
19–301.2	19:15
19–403.1	19:18
20–503	20:27
22–702 (add)	22:28

DAR paragraph	Replacement pages
22-703 (formerly 22-702)	22:28
22-704 (formerly 22-703)	22:28
22-704 (b) and (c) (add)	22:28-A, 22:28-B
23-103 (add (a)(xi))	23:5
23-108	23:8-A
25-103	25:2, 25:2-A
E-503	E:42-A
E-503.1	E:42-B
E-503.2	E:42-B, E:43
E-511.2	E:49
E-511.3	E:49, E:53, E:54, E:55
E-517	E:57
E-530 (add)	E:65-B
E-530.1 (add)	E:65-B, E:65-C
E-530.2 (add)	E:65-C
E-530.3 (add)	E:65-C
E-530.4 (add)	E:65-C, E:65-D
E-530.5 (add)	E:65-D
E-530.6 (add)	E:65-D
E-530.7 (add)	E:65-D
E-530.8 (add)	E:65-D
I-104 (add (a)(6))	I:3
I-401	I:19
I-501	I:23
I-601	I:26
I-702 (Tables 3 and 4)	I:29, I:30, I:31
I-702 (Table 5 deleted)	I:32 removed

(Change to DAR Supplement No. 2—not in CFR: S2-305(a) Page S2-17)

M. S. Healy,

OSD Federal Register Liaison Officer, Washington Headquarters Services, Department of Defense.

February 25, 1982.

BILLING CODE 3810-01-M

DEFENSE ACQUISITION CIRCULAR

30 OCTOBER 1981 NUMBER 76-31

This Defense Acquisition Circular is issued by direction of the Secretary of Defense pursuant to the authority contained in 5 U.S. Code 301, 10 U.S. Code 2202, DoD Directive 5000.35, and DAR (ASPR) 1-106.

Unless otherwise specified, all DAR and other directive material contained in this Defense Acquisition Circular is effective upon receipt in accordance with DAR 1-106.2(d).

Reproduction authorized.

SPECIAL NOTE: All replacement pages furnished with Defense Acquisition Circulars (whether or not identified by specific items) are replacement pages for the 1976 edition of DAR (ASPR).

DAC #76-31 30 OCTOBER 1981

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ITEM I LOGISTIC SUPPORT AND PRIVILEGES FOR DOD CONTRACTOR PERSONNEL AND DEPENDENTS

The following information is provided for the benefit of those involved in the execution of contracts requiring performance in Europe. This item cancels and supersedes Item II of DAC #76-26, dated 15 December 1980.

SPECIAL NOTICE TO CONTRACTING OFFICES EXECUTING CONTRACTS FOR PERFORMANCE IN EUROPE INVOLVING INDIVIDUAL LOGISTIC SUPPORT AND PRIVILEGES TO BE GRANTED BY UNITED STATES ARMY, EUROPE, AND SEVENTH ARMY (USAREUR) TO CONTRACTOR PERSONNEL AND THEIR DEPENDENTS

The attention of all contracting offices writing contracts for performance in Europe is directed to DAR 1-321(c) and 6-903. The procedures and criteria for authorizing or obtaining individual logistic support and privileges for DoD contractor personnel and their dependents from USAREUR is set forth below. These procedures do not apply to those nonpersonal service contracts awarded locally on an individual basis in support of the Army Continuing Education Services (ACES) program. Contracts negotiated with US and 3d Country national physicians for services to be rendered in support of US medical activities may include military exchange (AAFES-EUR) privileges without reference to specific financial consideration due to US Government. Eligibility criteria remains unchanged.

a. To be eligible for logistic support from USAREUR, contractor personnel who will be working in the Federal Republic of Germany must--

(1) be technical experts who will serve the US Forces exclusively;

(2) not be stateless persons;

(3) be nationals of a NATO state, excluding the Federal Republic of Germany; and

(4) not be ordinarily resident in the Federal Republic of Germany.

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b. To be eligible for logistic support from USAREUR, contractor personnel who will be working in Italy must--

(1) be technical experts who exclusively serve the US Forces; and

(2) be citizens of a NATO state other than Italy.

c. In accordance with DAR 6-903, the items of logistic support listed below may be included in contracts awarded on or before 1 October 1983 and USAREUR may be contractually bound to provide such support, provided that (i) the contract exclusively serves a US Forces mission; (ii) contractor personnel meet eligibility criteria outlined above; and (iii) the contract contains specific financial or other consideration which the US Government will receive in return for providing individual logistic support.

SUPPORT PRIVILEGES AUTHORIZED FOR INCLUSION IN ELIGIBLE DOD CONTRACTS AWARDED ON OR BEFORE 1 OCTOBER 1983 (SUBJECT TO GOVERNING DIRECTIVES AND REGULATIONS)	ESTIMATED ANNUAL DOLLAR VALUE (UNLESS OTHERWISE NOTED, THIS VALUE IS DEFINED AS DIFFERENCE BETWEEN COSTS IN OBTAINING GOODS AND SERVICES FROM USAREUR SOURCES VERSUS COSTS IN OBTAINING COMPARABLE SERVICES ON THE ECONOMY)		
	Per Individual Contractor Personnel	Per Spouse	Per Dependent
Officer, NCO, EM clubs	$ 240	$ 160	$ 80
Commissary (includes rationed items)	956	702	468
Military Exchange (AAFES-EUR) (includes rationed items)	720	720	720
Local recreation services, space-available	400	300	300
Armed Forces Recreation Center, space-available	125	75	50
Class VI (alcoholic beverages, includes rationed items)	Up to $150	Up to $150	Up to $100 (over age 18)
Military banking facilities	746	221	85
Legal assistance, space-available	50	50	50

USAREUR ESTIMATED ANNUAL DOLLAR VALUE OF INDIVIDUAL LOGISTIC SUPPORT (continued)

USAREUR privately-owned vehicle (POV) operator's license	$ 32	$ 32	$ 32
Customs exemption (personal property import only)	Up to $2000 per contractor (depending on quantity and value of goods imported)		
Transient billets, when on official TDY*	Up to $1000 per contractor		
Bachelor housing (if available)*	Up to $5000 LQA, based on LQA for civilians in grade GS 11/12, at the "without dependents" rate		
Military postal services for US-citizen contractors and dependents, for personal mail only. Official indicia is not authorized.	$400 per contractor		
Registration of privately-owned vehicle (POV)	$460 per vehicle, initial registration		
Purchase of petroleum and oil products	(Dollar value included in military exchange (AAFES-EUR) figures above)		
Pet and firearms registration	$20 per weapon; $35 per pet (required for dogs only)		
Dependent schools, on a space-available, tuition-paying basis	$3896 per dependent		
Local government transportation for official Government business (admin-use vehicle)	$12 per day, 21¢ per mile, when utilized		
Messing facilities at remote sites only (reimbursable)	$10 per day, when utilized		
Mortuary service (reimbursable)	$745 per contractor		
Army Continuing Education Services (ACES)	Cost differential not applicable		
Credit union facilities	Cost differential not applicable		

*See end of table, page 6.

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USAREUR ESTIMATED ANNUAL DOLLAR VALUE OF INDIVIDUAL LOGISTIC SUPPORT (continued)

Medical care, on a reimbursable basis; dental care, available only for emergency conditions, on a reimbursable basis	Cost differential not applicable
Relief of German value-added tax (MEHRWERTSTEUER)	Cost differential not applicable
Government furnishings*	Cost differential not applicable

*New contracts will not include family-type Government-controlled quarters, bachelor quarters, or Government-furnishings support, unless prior written approval of the Commander in Chief, USAREUR (Attn: AEAEN-EH), is obtained. Transient billets may be authorized on a space-available basis after all other eligible personnel have been billeted. Government furnishings may be made available to contractor personnel if in excess to the requirement of eligible personnel. New contracts will not include office space logistical support unless prior written approval of the Commander in Chief, USAREUR (Attn: AEAEN-IF), is obtained.

d. If all of the logistic support privileges above were included in a contract, the estimated annual value of the support would range as follows:

(1) Per individual contractor personnel, $4,929 to $13,089

(2) Per spouse, $2,260 to $2,410

(3) Per dependent, $5,185 to $5,285

(4) Per family of three, $12,374 to $20,784

e. Logistic support for dependents will be authorized only if specifically stated in the contract.

f. After the contracting officer has determined that the eligibility criteria in a above have been met and the items of logistic support and privileges have been included in the contract, the contracting officer must request an Accreditation Letter from HQ USAREUR (Attn: AEUPE-AMD-AP, APO NY 09403), submitting the following:

(1) Statement that the provisions of this special notice have been complied with;

(2) Name of contract company/corporation;

(3) The contract number and expiration date;

(4) The full names of contract personnel, their citizenship and social security or passport numbers, the number of dependents, and planned arrival date (if already in country, state present employment and geographic area);

(5) Period of accreditation;

(6) The specific items of logistic support and privileges included in the contract, or a copy of that portion of the contract which lists the items of logistic support and privileges; and

(7) APO address of the USAREUR office/element to which the accreditation letter should be forwarded. This should be the office/element to which the contractor is assigned for administrative and operational control.

g. For contractors who will be working in other than Germany or Italy but in areas where USAREUR is to be requested to provide individual logistic support and privileges, the following information must be forwarded to CINCUSAREUR, Attn: AEUPE-AMD-AP, APO NY 09403, for review and determination before any individual logistic support and privileges may be included in the contract:

(1) The country in which the contract is to be performed;

(2) The duration of the contract;

(3) The number and nationality of contractor personnel, to include dependents;

(4) Specific individual logistic support and privileges requested;

(5) A statement of whether the contract will exclusively support the US Forces; and

(6) A statement that the contract will contain specific financial or other consideration which the US Government is to receive in return for extending the support.

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ITEM II FLEXIBLE PROGRESS PAYMENTS

Appendix E and Sections VII and XXIII of the DAR are revised to include provisions for flexible progress payments. Uniform standard progress payment rates are increased to 90% for other than small business concerns and 95% for small business concerns. The frequency of progress payments is changed from bi-weekly to monthly. The flexible progress payment procedure represents a new approach toward contract financing. The progress payment rate is derived by use of a specially developed computer program. A user's guide, which is available from the Defense Technical Information Center, Cameron Station, Alexandria, Virginia 22314, contains detailed instructions and examples of the operation of the flexible progress payment procedure.

These policy changes are effective on receipt of this DAC (see DAR 1-106.2(d)), or of Departmental guidance previously distributed, whichever is earlier. These changes are also effective for undefinitized letter contracts if there has been no agreement on contract price prior to receipt of this direction. Contracting Officers are not to consider these changes in the development of prenegotiation profit objectives.

This information was provided to DoD personnel through Departmental channels in September 1981.

Replacement pages: 7:82, 7:84, 7:84-B through 7:84-D, 7:85, 7:86 through 7:86-D, 7:87, 23:5, 23:8-A, E:42-A, E:42-B, E:43, E:49, E:53 through E:55, E:57, E:65-B through E:65-D.

ITEM III PROHIBITION ON RECOVERY OF LOBBYING COSTS

Secretary of Defense Caspar W. Weinberger has directed that contractors be prohibited from charging lobbying costs to Defense contracts. To implement this decision, a new cost principle, 15-205.51, has been established, and a new paragraph has been added as 3-709.

Replacement pages: 3:109, 15:52 through 15:52-B.

ITEM IV ECONOMIC PRICE ADJUSTMENT CLAUSE BASED ON LABOR OR MATERIAL COST (COST INDEX METHOD)

Paragraph 3-404.3(c)(3)*c.4* has been revised to require that any contract containing any Economic Price Adjustment (EPA) clause where the index is subject to revision; e.g., a Bureau of Labor Statistics Producer Price Index, must state if any later contract price revision is to be based on the initial publication or the final revised version of the index.

Replacement page: 3:32.

ITEM V BLANKET PURCHASE AGREEMENTS (BPAs)

DAR 3-605.2 and 3-605.3(f)(iv) are revised to increase the BPA call ceiling for Non-Inventory Control Points from $5,000 to $10,000.

Replacement pages: 3:79-A and 3:81.

ITEM VI HOSPITAL LAUNDRY

DAR Sections VII and XXII are revised to provide coverage for contracting for laundry services on the basis of bulk weight, to reflect when bulk weight and count of articles bases are to be used, which clauses are to be used with respective bases, and to provide instructions concerning the use of the clauses.

Replacement pages: 7:420 through 7:421-B, 7:422, 7:520, 7:520-A, 22:28, 22:28-A, 22:28-B.

ITEM VII PERFORMANCE AND PAYMENT BONDS

DAR 10-202 is revised to add "for Performance and Payment Bonds" to the title, "Options in Lieu of Sureties."

Replacement page: 10:15.

DAC #76-31 30 OCTOBER 1981

ITEM VIII INSURANCE

DAR 15-205.16(a)(2)(iii) is revised to substitute the word "property" for "casualty." This change will clarify the intent to refer to insurance which the contractor has against damage to its own property, and not insurance against liability for damage to property of third parties.

Replacement page: 15:26.

ITEM IX CONTRACT PRICING PROPOSAL FORMS

DAR 16-206.1 is revised to add the requirement for inclusion of summary totals by cost element, when submitting DD Form 633 cost data.

Replacement pages: 16:14 and 16:15.

ITEM X BID BONDS, AND PERFORMANCE AND PAYMENT BONDS

DAR 16-401.2 has been changed to conform with Public Law 95-585, which raised the construction contract amount for application of the Miller Act bonding requirements from $2,000 to $25,000.

Replacement pages: 16:18 and 16:19.

ITEM XI ARCHITECT-ENGINEER SELECTION PROCESS

DAR 18-402.1(v) is revised to include "small disadvantaged" business firms in considerations for selection of architect-engineer firms for professional services contracts.

Replacement page: 18:16.

ITEM XII USE OF SOURCE LOAD CONTAINER COSTS IN CONTRACT BID EVALUATIONS

DAR 19-208.2(c), 19-213.1(a), 19-301.2(a) and 19-403.1 have been modified to assure that source load container (seavan) transport costs are considered in the bid evaluation process.

Replacement pages: 19:10, 19:12, 19:15 and 19:18.

ITEM XIII PERFORMANCE OF CONTRACT ADMINISTRATION SERVICES FOR NON-DOD ORGANIZATIONS

DAR 20-503 is revised to permit flexibility in providing contract administration services to other U.S. Government Departments and Agencies, based on availability of resources.

Replacement page: 20:27.

ITEM XIV ASSIGNMENT OF CRITICALITY DESIGNATOR BY PURCHASING OFFICE

The definitions applicable to each of the Criticality Designators used by the Contract Administration Office (CAO) to allocate its resources, have been changed at DAR 25-103 to draw more accurate distinctions between the various prime contracts being assigned for administration.

Replacement pages: 25:2 and 25:2-A.

ITEM XV MATERIAL INSPECTION AND RECEIVING REPORT

Coverage in Appendix I, Parts 1 and 4, is revised to permit consolidation on one DD Form 250 of coal shipments made on the same day to the same destination, against the same contract line item. In addition, coverage in Appendix I, Parts 5, 6 and 7 is revised to clarify preparation instructions and to update Tables 3 and 4 for distribution of the DD Form 250-1, Tanker/Barge Material Inspection and Receiving Report, for bulk tanker and barge movements. Table 5, no longer required, is deleted.

Replacement pages: I:3, I:19, I:23, I:24, I:26, I:27, I:29 through I:31 (I:32 removed).

ITEM XVI CLOSE-OUT OF CATEGORY C CONTRACTS, S2-305(a)

Revisions have been made to the standard times contained in Supplement No. 2 to the DAR, Contract File Maintenance, Close-Out and Disposition, to recognize the longer periods to "close-out" those contracts which require settlement of overhead rates.

Replacement page: S2-17.

DAC #76-31 30 OCTOBER 1981

ITEM XVII EDITORIAL CHANGES

The following listed pages include corrections to typographical errors, administrative oversight, or other editorial changes.

Note: Page 3:70 is reprinted to include notation at bottom of page, omitted in DAC #76-30. Page 7:526-I is reprinted to include "DAC #76-30" notation at top of page, omitted in DAC #76-30.

Replacement pages: 3:32, 3:70, 7:83, 7:84-C, 7:86-A, 7:87 and 7:526-I.

(2) *Adjustment Based on Labor or Material Costs (Actual Costs Method).*

a. The price adjustment clause in 7–107 is authorized for use in negotiated fixed price supply and service contracts when there is no major element of design engineering or developmental work involved in producing the items being procured and one or more identifiable labor or material cost factors are subject to change. The clause shall be limited to contracts in which the price exceeds $50,000 and the period of performance exceeds six months unless its use otherwise is approved by the Chief of the Purchasing Office. An appropriate modification of the clause may be used in advertised procurements, in accordance with 2–104.

b. The Schedule shall describe in detail the types of labor and materials subject to adjustment, the labor rates (including fringe benefits, if any), and unit prices of materials, which may be increased or decreased, and the quantities of labor and specified materials allocable to each unit of supplies to be delivered under the contract. The following sample format illustrates a type of schedule description that may be used:

The following types of labor and material are subject to price adjustment pursuant to the "*Economic Price Adjustment—Labor and Material*" clause of this contract.

Contract Item No. 1

Types of labor and materials	*Rates of pay and material prices*	*Quantities and direct costs per unit of procurement*
Drill Press Operator	$3.00/hour no fringe benefits included	
	$3.00	20 min—$1.00
Welder	$2.75/hour .05/hour—vacation pay .20/hour—pension plan	
	$3.00	10 min.—$.50
Copper Sheet	$.40/lb.	2 lb.—$.80
Purchased parts:		
(1) ABC tube X5721	$1.00 each	3 ea.—$3.00
(2) XYZ part No. 9348	$.50 each	10 ea.—$5.00

c. The 10 percent figure in subparagraph (c)(vi) of the clause shall not be exceeded unless approved by the Chief of the Purchasing Office. There shall be no percentage limitation on the amount of decrease. Decreases shall be the full amount of decrease in the labor rates and fringe benefits or unit prices for materials.

d. In negotiating adjustments under the clause, the contracting officer shall consider work in process and materials on hand at the time of changes in labor rates (including fringe benefits, if applicable) or material prices since these elements may have a significant impact on price adjustments. The price adjustment shall not include general and administrative expenses, profit, or overhead (except for fringe benefits as defined in 15–205.6(g)). Fringe benefits must be set forth in the schedule in order to be considered in any economic price adjustment.

e. If the specific terms and conditions of the clause authorized in *a* above are not applicable, a modified economic price adjustment clause to cover in-

creases or decreases in the actual costs incurred by the contractor for labor or materials may be included if it is consistent with the guidelines contained in *a* through *d* above and is approved by the Department concerned.

(3) *Adjustments Based on Labor or Material Costs (Cost Index Method).*

a. As an alternative to the provisions authorized by (1) and (2) above, consideration should be given to inclusion of a special economic price adjustment clause designed to minimize contingency pricing and prepared under the guidelines listed in *c* below, when (i) there will be an extended period of performance with significant costs to be incurred beyond one year after commencement of contract performance, (ii) the contract amount subject to adjustment is substantial and (iii) the economic variables for labor and material are determined to be too unstable to reflect a reasonable division of risk between the parties absent economic price adjustment provisions.

b. All economic price adjustment clauses utilizing indices will be approved in accordance with Departmental procedures.

c. The following factors may be considered in preparing a price adjustment clause meeting the criteria of *a* above including construction of appropriate indices:

1. The clause should not be overly complex;

2. Normally, the clause should not provide either a ceiling or a floor for adjustment unless adjustment is based on indices below the four digit level of the Bureau of Labor Statistics Producer Price Index or the Wage and Income Series by Standard Industrial Classification (Labor).

3. Normally, the clause should cover all potential economic fluctuations within the original contract period of performance.

4. The clause must have a positive and accurate identification of the applicable index(es) upon which adjustments will be based and provide appropriate economic fluctuation in the event of the discontinuance of the publication of the movement of the designated index. This might include the substitution of another index if the time remaining would so justify and an appropriate index is reasonably available, or some other method for repricing of the remaining portion of the work to be performed. There should not normally be any need to make an adjustment in the event computation of the identified index is altered; however, provision may be made to adjust the economic fluctuation computations in the event there is such a substantial alteration to the method of computing the index as to negate the original intent of the parties. When an index to be used is subject to revision (e.g., the Bureau of Labor Statistics Producer Price Indexes), the economic price adjustment clause shall further specify that any economic price adjustment shall be based upon the applicable revised index.

5. An index should be structured to encompass a large sample of relevant items yet bear a logical relationship to the type of contract costs being measured. The basis of the index should not be so large and diverse that it is significantly affected by fluctuations not relevant to the contract performance, yet must be significantly broad so as to assure the minimal effect of any single company, including the anticipated contractors.

6. Construction of an index is largely dependent upon two general series published by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). These are the Industrial Commodities portion of the Producer Price Index and the Wage and Income Series by Standard Industrial Classification for labor. Since there are no BLS published series currently available that relate

(xlii) if pursuant to 1-1504, options are to be evaluated for award, the applicable *Evaluation of Options* provision shall be inserted;

(xliii) if 1-1503(d) applies, a conspicuous notice cautioning offerors that an offer containing an option price higher than the base price may be accepted only if such acceptance does not prejudice any other offeror; (This may be placed elsewhere so long as the notice is adjacent to the limitation as to option price.)

(xliii) any requirement for royalty information to be furnished with the offer, proposal or quotation (see 9-110(a));

(xliv) when the contract is for the purchase of a patented item for which the Government is a licensee (1-304.3), include the provision in 7-2003.15;

(xlv) a statement on the first sheet or on a cover sheet of the Request for Proposals that:

PROPOSALS MUST SET FORTH FULL, ACCURATE, AND COMPLETE INFORMATION AS REQUIRED BY THIS REQUEST FOR PROPOSAL (INCLUDING ATTACHMENTS). THE PENALTY FOR MAKING FALSE STATEMENTS IN PROPOSALS IS PRESCRIBED IN 18 U.S.C. 1001.

(xlvi) a statement of arangements to be made for inspecting the site, including designation of the person or persons, if any, with whom such arrangements may be made and who will answer questions or furnish information;

(xlvii) information which may affect performance of the work such as boring samples, original boring logs, etc.;

(xlviii) information as to what utilities the Government will furnish during construction, when the contracting officer determines that any new utilities are adequate for the needs of both the Government and the contractor (see 7-603.30);

(xlix) Reserved;

(l) Reserved;

(li) (A) in accordance with 3-1203(a), insert the provision in 7-2003.67(a);
(B) in accordance with 3-1204, insert the provision in 7-2003.67(b);
(C) in accordance with 3-1213(a), insert the provision in 7-2003.67(c);

(lii) the *Late Technical Proposals* provision in 7-2002.3, or the Late Proposals provision in 7-2002.4, (these replace paragraphs 7 and 8 of SF 22);

(liii) if international air transportation of personnel and cargo is possible during performance of the contract, the clause in 7-104.95;

(liv) the *Contingent Fee* provision in 7-2002.1 shall be substituted for paragraph 3 of SF 19-B;

(lv) the *Clean Air and Water Certification* in 7-2003.71;

(lvi) Reserved;

(lvii) when the statement of work requires the design, development or operation of a system of records on individuals for an agency function, insert the provision in 7-2003.72;

(lviii) if the contract is for the acquisition of goods or services for MAP, IMET, or FMS, include the clause in 7-104.97;

(lix) if the contract includes FMS requirements, identify the contract by clearly stamping or otherwise indicating "*FMS Requirement*" on the cover sheet of the contract;

(lx) reserved;

(lxi) when Government specifications are incorporated requiring utilization of recovered materials, insert the certification in 7-2003.82.

(lxii) when the provisions of the Buy American Act or the Balance of Payments Program apply, include the clauses in 7-104.3, 7-104.32, 7-2003.47, and 7-104.106 as prescribed in 6-104.5, 6-803.1(e).

(lxiii) for solicitations involving FMS requirements, insert the clause in 7-104.107 concerning special limitations with respect to sales commissions and fees, when required by 6-1305.6.

(lxiv) when the solicitation is subject to an in-house versus contract cost comparison (Section IV, Part 12), include the clause in 7-2003.89(b).

(lxv) insert the solicitation provision at 7-2003.90 requesting the offeror to supply his Data Universal Numbering System (DUNS) Number with his offer.

(lxvi) when the solicitation imposes partial or total small business set-aside procedures pursuant to 1-706.5 and 1-706.6, or is for a combined small business-labor surplus area set-aside procurement pursuant to 1-706.7 and is expected to result in award of a contract during fiscal year 1981, 1982, or 1983, insert the Certification of Handicapped Organizations representation in 7-2003.91. The contracting officer may rely on an offeror's self-certification that it qualifies as an eligible organization as defined in 7-2003.91. Questions concerning the eligibility of offerors shall be processed in accordance with procedures in 1-703.

(d) *Oral Solicitations.*

(1) Oral solicitations are authorized for small purchases (see Section III, Part 6) and for the acquisition of perishable subsistence.

(2) Oral solicitations, other than those described in (1) above, are authorized in cases where the processing of a written solicitation would delay the furnishing of the supplies or services to the detriment of the Government. Examples of such circumstances may include those listed in 3-202.2. However, oral solicitation is not to be considered justified solely because a high issue Priority Designator has been assigned to the requirement. In addition to other applicable

tracting officer should gain as much knowledge as practicable of the physical and material characteristics and intended use of the item to be purchased. When only one source is solicited, an additional notation must be made to explain the absence of competition, except for procurement of utility services available only from one source or of educational services from nonprofit institutions. Notification to unsuccessful suppliers shall be given only if requested.

(c) Occasionally an item can be obtained only from a supplier who quotes a minimum order price or quantity, which either unreasonably exceeds stated quantity requirements, or results in an unreasonable price for the quantities required. If practicable before placing the order the requiring activity should be informed in such cases of all facts regarding the quotation and requested to confirm or alter its requirement for the item or items under consideration. The file shall be documented to support the final action taken.

3-605 Blanket Purchase Agreement (BPA).

3-605.1 *General.* A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for small quantities of supplies or services by establishing "charge accounts" with qualified sources of supply (see 12-302, 12-602.1 and 12-1001). Blanket purchase agreements are designed to reduce administrative costs in accomplishing small purchases by eliminating the need for issuing individual purchase documents.

3-605.2 *Limitation on Use.* A blanket purchase agreement may not be used when a call exceeds $10,000 except that BPA calls for subsistence are unlimited as to dollar value. The *Examination of Records by Comptroller General* clause in 7-104.15 and the *Listing of Employment Openings* clause in 7-103.27 shall be included in agreements for subsistence items which do not limit the dollar value of individual calls to less than $10,000.

3-605.3 *Establishment of Blanket Purchase Agreements.*

(a) *Alternate Sources.* To the extent practicable, blanket purchase agreements for items of the same type should be placed concurrently with more than one supplier. All competitive sources should be given an equal opportunity to furnish supplies or services under such agreements.

(b) *Form.*

(1) Except as provided in (2) below, blanket purchase agreements shall be prepared and issued on DD Form 1155 (Order for Supplies or Services/Request for Quotations). Either the "General Provisions," DD Form 1155f, or the "Reverse of Order for Supplies or Services/Request for Quotations—Foreign," DD Form 1155r-1, as applicable, shall be used. Other applicable provisions of the blanket purchase agreement shall be set forth on the Standard Form 36 (Continuation Sheet) or on a blank sheet of paper, including the following:

(i) the Contract Work Hours and Safety Standards Act—Overtime Compensation clause in 7-103.16(a) shall be added unless it is reasonably anticipated that the aggregate of the total dollar amounts of orders to be placed thereunder will be $2,500 or less;

(ii) where the agreement is for the intended purchase of services covered by the Service Contract Act of 1965, as amended, the clause in 7-1903.41(a) or (b) shall be substituted for Clause 16 of the General Provisions and the procedures in 12-1005 complied with, unless it is reasonably anticipated that the aggregate of the total dollar amounts of orders to be placed thereunder will be $2,500 or less;

(iii) where the agreement is for the intended purchase of supplies, the Walsh-Healey Public Contracts Act clause in 7-103.17 shall be added, unless the agreement limits the aggregate total of orders to be placed thereunder to $10,000; and

(iv) where the agreement is for the intended purchase of supplies, the applicable equal opportunity clause in 7-103.18 shall be added.

(2) Blanket purchase agreements issued by the Defense Personnel Support Center may be prepared on its form "Order for Subsistence."

(c) *Numbering.* Enter the Procurement Instrument Identification (PII) number as prescribed in Section XX, Part 2.

(d) *Accounting Data.* Blanket purchase agreements need not cite any accounting data so that purchases utilizing different appropriation data may be made under the same agreement.

(e) *Negotiation Authority.* The Schedule of each agreement shall be annotated as follows:

> The issuance of individual calls under this blanket purchase agreement will be made under the authority of 10 U.S.C. 2304(a)(1), 10 U.S.C. 2304(a)(3), 10 U.S.C. 2304(a)(6), or 10 U.S.C. 2304(a)(17).

If for the purchase of subsistence:

> The issuance of individual calls under this blanket purchase agreement will be made under the authority of 10 U.S.C. 2304(a)(1), 10 U.S.C. 2304(a)(3), 10 U.S.C. 2304(a)(6), 10 U.S.C. 2304(a)(9), or 10 U.S.C. 2304(a)(17).

This annotation shall not be duplicated on forms used to document individual calls, although the specific authority for the call may be cited therein.

(f) *Terms and Conditions.* Blanket purchase agreements shall contain the following provisions:

(i) *Description of agreement*—a statement that the supplier shall furnish supplies or services, described therein in general terms, if and when requested by the contracting officer or his authorized representative during a specified period and within a stipulated aggregate amount, if any. Blanket purchase agreements may be limited to specific items or commodity groups or the scope of the agreement may encompass all items that the supplier is in a position to furnish.

(ii) *Extent of obligation*—a statement that the Government is obligated only to the extent of authorized calls actually placed against the blanket purchase agreement.

(iii) *Pricing*—a statement that the prices to the Government shall be as low as, or lower than those charged the supplier's most favored customer, in addition to any discounts for prompt payment.

(iv) *Call limitation*—a statement that no individual call under the agreement shall exceed $10,000 or such higher limitation set forth in 3–605.2.

(v) *Notice of individuals authorized to place calls and dollar limitations*—a provision that a list of names of individuals authorized to place calls under the agreement, identified by organizational component, and the dollar limitation per call for each individual shall be furnished the supplier by the contracting officer.

(vi) *Delivery tickets*—a requirement that all shipments under the agreement, except subscriptions and other charges for newspapers, magazines, or other periodicals shall be accompanied by delivery tickets or sales slips which shall contain the following minimum information—

(A) name of supplier;
(B) blanket purchase agreement number;
(C) date of call;
(D) call number;
(E) itemized list of supplies or services furnished;
(F) quantity, unit price, and extension of each item less applicable discounts (unit prices and extensions need not be shown when incompatible with the use of automated systems, *provided* that the invoice is itemized to show this information); and
(G) date of delivery or shipment.

(vii) *Invoices*—one of the following statements:

(A) A summary invoice shall be submitted at least monthly or upon expiration of the blanket purchase agreement, whichever occurs first, for all deliveries made during a billing period, identifying the delivery tickets covered therein, stating their total dollar value, and supported by receipted copies of the delivery tickets; or

(B) An itemized invoice shall be submitted at least monthly or upon expiration of the blanket purchase agreement, whichever first occurs, for all deliveries made during a billing period and for which payment has not been received. Such invoices need not be supported by copies of delivery tickets; or

(C) When billing procedures provide for an individual invoice for each delivery, these invoices shall be accumulated *provided* that:

(i) a consolidated payment will be made for each specified period; and

(ii) the period of any discounts will commence on final date of billing period or on the date of receipt of invoices for all deliveries accepted during the billing period, whichever is later.

The provision in (C) above should not be used if the accumulation of the individual invoices by the Government materially increases the administrative costs of this purchase method.

(D) An invoice for subscriptions or other charges for newspapers, magazines, or other periodicals shall show the starting and ending dates and shall state either that orders have been placed in effect or will be placed in effect upon receipt of payment.

(viii) The special data required by 3–606.3(b) when it is desired to use the fast payment procedure. Also see Block 16 of DD Form 1155.

3–605.4 *Competition Under Blanket Purchase Agreement.* Calls against blanket purchase agreements shall be placed only after compliance with 3–604. When concurrent agreements for similar items are in effect, calls not in excess of $500 shall be equitably distributed. In those instances where there are an insufficient number of BPAs for any given class of supplies or services to assure adequate competition, the individual placing the order shall solicit quotations from other sources.

3–605.5 *Calls Against Blanket Purchase Agreements.* Calls against blanket purchase agreements generally will be made orally, except that informal correspondence may be used when ordering against agreements outside the local trade area. Written calls may be executed on DD Form 1155. Documentation of calls shall be limited to essential information. Forms may be developed for this purpose locally.

3–605.6 *Receipt and Acceptance of Supplies or Services.* Acceptance of supplies or services shall be indicated by signature and date on the appropriate form by the authorized government representative after verification and notation of any exceptions. Use of the DD Form 250 Series, Material Inspection and Receiving Report (MIRR), shall be required by purchasing offices to document receipt and acceptance of supplies or services when the purchase is to be assigned to another activity for administration. A sales slip, delivery ticket, DD Form 1155 or DD Form 250 Series may be used for receipt and acceptance when purchases are retained for administration.

3–605.7 *Review Procedures.* The contracting officer or his designated representative shall review the blanket purchase agreement files at least semi-annually to assure that authorized procedures are being followed. When an activity ordering against a blanket purchase agreement does not come under the jurisdiction of the command of the contracting officer issuing the agreement, the com-

sidered final for the affected contract closed prior to the final overhead settlement. No adjustment shall be made against, or the affect of any quick closeout allowed to impact, other contracts for any over or under recovery disclosed at the time of final overhead rate determination.

3-709 Lobbying Costs. The costs of lobbying for the procurement of specific supplies or services by the Federal Government are unallowable under 15-205.51, Lobbying Costs. Legislative liaison costs, as defined in the cost principle, are allowable costs. Where the contractor's accounting systems are not capable of differentiating unallowable lobbying costs from otherwise allowable costs, the contractor may be required to certify in writing that its overhead rate proposal does not include any unallowable lobbying costs. The certification shall be executed by the contractor, if an individual. When the contractor is not an individual, the certification shall be executed by a senior company official in charge at the contractor's plant or location involved, or by an officer or general partner of the contractor having overall responsibility for the conduct of the contractor's affairs.

Part 8—Price Negotiation Policies and Techniques

3-800 Scope of Part. This Part sets forth the price negotiation policies and techniques applicable to negotiated prime contracts and those subcontracts which are subject to consent by the Government. The principles in this Part apply to negotiation of prices on all types of contracts and to revised prices as well as initial prices.

3-801 Basic Policy.

3-801.1 *General.* It is the policy of the Department of Defense to procure supplies and services from responsible sources at fair and reasonable prices calculated to result in the lowest ultimate overall cost to the Government. Good pricing depends primarily upon the exercise of sound judgment by all personnel concerned with the procurement.

3-801.2 *Responsibility of Contracting Officers.*

(a) Contracting officers, or their authorized representatives acting within the scope of their authority, are the exclusive agents of their respective Departments to enter into and administer contracts on behalf of the Government in accordance with ASPR and Departmental procedures. Each contracting officer is responsible for performing or having performed all administrative actions necessary for effective contracting. The contracting officer shall avail himself of all appropriate organizational tools such as the advice of specialists in the fields of contracting, finance, law, contract audit, packaging, engineering, traffic management, and price analysis.

(b) To the extent services of specialists are utilized in the negotiation of contracts, the contracting officer must coordinate a team of experts, requesting advice from them, evaluating their counsel, and availing himself of their skills. He shall not, however, transfer his own responsibilities to them. Thus, determination of the suitability of the contract price to the Government always remains the responsibility of the contracting officer. For certain acquisitions, it may be necessary to convene a formal "Should Cost" (see 1-337) team of specialists to evaluate the contractor's cost projections, supporting standards, and other in-plant management, operational, and performance practices, on which cost projections are based.

(c) When the contractor insists on a price or demands a profit or fee which the contracting officer considers unreasonable, the contracting officer shall (i) determine the feasibility of developing an alternate source of supply, or (ii) take any other action within his authority. If, after exhausting the above course of action, a satisfactory solution has not been obtained, the contracting officer shall refer the prospective procurement to higher authority. Such referral shall include a complete statement of the attempt made to resolve the matter. With regard to a contractor's refusal to provide cost or pricing data, see 3-807.5.

(d) Pricing based on cost analysis involves, among other things, an appraisal of estimates of costs expected to be incurred in the future. The accounting projection of trends based on cost or pricing data, together with any known changes therein, is only one method of conducting this appraisal, others being:

(i) an engineering appraisal of the need for the estimated labor and material costs and of tooling and facilities, and the reasonableness of scrap and spoilage factors, and

(d) None of the provisions herein contravenes or is in conflict with the authority under which the Contractor is doing business or with the provision of any existing indenture or agreement of the Contractor.

(e) The Contractor has the power to enter into this contract and accept advance payments hereunder, and has taken all necessary action to authorize such acceptance under the terms and conditions of this contract.

(f) None of the assets of the Contractor is subject to any lien or encumbrance of any character except for current taxes not delinquent, and except as shown in the financial statements furnished by the Contractor to the Administering Office. There has been no assignment of claims under any contract affected by these advance payment provisions, or if there has been any assignment, such assignments have been terminated.

(g) All information furnished by the Contractor to the Administering Office in connection with each request for advance payments is true and correct.

(h) These representations and warranties shall be continuing, and shall be deemed to have been repeated by the submission of each invoice for advance payments. (MAY 1959)

(17) *Subadvances.* Substantially the following provision should be included in the contract when subadvances are contemplated:

Subject to the prior written approval of the Administering Office, funds from the Special Bank Account may be used by the Contractor to make advance payments or down payments to subcontractors and materialmen in advance of performance by the subcontractor or materialman. Such subadvances shall not exceed ..... percent of the subcontract price or estimated cost as the case may be, and the subcontractors or materialmen to whom such advances are made shall furnish adequate security therefor. Unless other security is required by the Administering Office, covenants in subcontracts, expressly made for the benefit of the Government providing for a Special Bank Account for the subadvance, with Government lien thereon, and providing for a Government lien, paramount to all other liens, on all property under such subcontract, and imposing upon the subcontractor and the depository bank substantially the same duties and giving the Government substantially the same rights as are provided herein (and in the Agreement for Special Bank Account supplementary hereto) between the Government, the Contractor and the Bank, may be considered as adequate security for such subadvance.

[In case the alternate procedure for advance payments without a bank account is to be used in accordance with E-413.1, omit paragraph (17) above.]

(18) *Covenants.* The following are examples of some special provisions (subject to modification to adapt to the circumstances of individual cases) that may be utilized when and to the extent deemed appropriate in particular cases.

During the period of time that advance payments may be made hereunder and so long as any such advance payments remain unliquidated, the Contractor shall not, without the prior written consent of the Administering Office:

(a) Mortgage, pledge, or otherwise encumber, or suffer to be encumbered, any of the assets of the contractor now owned or hereafter acquired by him, or permit any preexisting mortgages, liens, or other encumbrances to remain on or attach to any assets of the Contractor which are allocated to the performance of this contract and with respect to which the Government has a lien hereunder;

(b) Sell, assign, transfer, or otherwise dispose of accounts receivable, notes or claims for money due or to become due;

(c) Declare or pay any dividends, except dividends payable in stock of the corporation, or make any other distribution on account of any shares of his capital stock, or purchase, redeem, or otherwise acquire for value any such stock, except as required by sinking fund or redemption arrangements reported to the Administering Office incident to the establishment of these advance payment provisions;

(d) Sell, convey, or lease all or a substantial part of his assets;

(e) Acquire for value the stock or other securities of any corporation, municipality, or governmental authority, except direct obligations of the United States;

(f) Make any advance or loan to or incur any liability as guarantor, surety, or accommodation endorser for any other firm, person, or corporation;

(g) Permit a writ of attachment or any similar process to be issued against his property without procuring release thereof or bonding the same within 30 days after the entry of the writ of attachment or any similar process;

(h) Pay any salaries, commissions, bonuses, or other remuneration in any form or manner to his directors, officers, or key employees in excess of existing rates of payments or of rates provided in existing agreements, in connection with which notice has been given to the Administering Office, or accrue such excess remuneration without first obtaining an agreement subordinating the same to all claims of the Government hereunder, or employ any person at a rate of compensation in excess of $..... per annum.

(i) Make any substantial change in management, ownership, or control of the corporation;

(j) Merge or consolidate with any other firm or corporation, change the type of his business or engage in any transaction outside the ordinary course of his business as presently conducted;

(k) Deposit any of his funds except in a bank or trust company insured by the Federal Deposit Insurance Corporation;

(l) Create or incur indebtedness for borrowed money or advances other than advances to be made hereunder, except as specified herein;

(m) Make or covenant himself to make capital expenditures exceeding in the aggregate $.....;

(n) Permit his net current assets, calculated in accordance with generally accepted accounting principles, to become less than $.....; or

(o) Make any payments on account of the obligations listed below, except in the manner and to the extent herein provided.

(End of clause)

7–104.35 *Progress Payments.* In accordance with E–510, insert one of the following clauses:

(a) Progress Payment Clause for Other Than Small Business Concerns.

Any change, addition, or deletion to this clause is subject to the prior approval requirements outlined in Appendix E, Part 2.

PROGRESS PAYMENT FOR OTHER THAN SMALL BUSINESS CONCERNS (1981 OCT)

Progress payments shall be made to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contracting Officer upon the following terms and conditions:

(a) *Computation of Amounts.*

(1) Unless a smaller amount is requested, each progress payment shall be (i) ninety percent (90%)**(See footnote at end of clause) of the amount of the Contractor's total costs which, except as provided in (a)(2) below, shall include only those recorded costs which result, at the time of the request, from payment made by cash, check, or other form of actual payment for items or services purchased directly for the contract, together with (when the Contractor is not delinquent in payment of costs of contract performance in the ordinary course of business) costs incurred, but not necessarily paid, for materials which have been issued from the Contractor's stores inventory and placed in the production process for use on the contract, for direct labor, for direct travel, for other direct in-house costs, and for properly allocable and allowable indirect costs, all as shown by records maintained by the Contractor for purposes of obtaining payment under Government contracts plus (ii) the amount of progress payments which have been paid to Contractor's subcontractors and other divisions as provided in (j) below; all less the sum of previous progress payments.

reduced prices and adjusting the unliquidated progress payments accordingly. The Government reserves the right to unilaterally change from the ordinary liquidation rate to the alternate rate when deemed appropriate for proper contract financing.

(c) Reduction or Suspension. The Contracting Officer may reduce or suspend progress payments, or liquidate them at a rate higher than the percentage stated in (b) above, or both whenever he finds upon substantial evidence that the Contractor (i) has failed to comply with any material requirement of this contract, (ii) has so failed to make progress, or is in such unsatisfactory financial condition, as to endanger performance of this contract, (iii) has allocated inventory to this contract substantially exceeding reasonable requirements, (iv) is delinquent in payment of the costs of performance of this contract in the ordinary course of business, (v) has so failed to make progress that the unliquidated progress payments exceed the fair value of the work accomplished on the undelivered portion of this contract, or (vi) is realizing less profit than the estimated profit used for establishing a liquidation percentage in paragraph (b), if that liquidation percentage is less than the percentage stated in paragraph (a)(1).

(d) Title. Immediately, upon the date of this contract, title to all parts; materials; inventories; work in process; special tooling as defined in the clause of this contract entitled "Special Tooling"; special test equipment and other special tooling to which the Government is to acquire title pursuant to any other provision of this contract; nondurable (i.e., noncapital) tools, jigs, dies, fixtures, molds, patterns, taps, gauges, test equipment, and other similar manufacturing aids title to which is not obtained as special tooling pursuant to this paragraph; and drawings and technical data (to the extent delivery thereof to the Government is required by other provisions of this contract); theretofore acquired or produced by the Contractor and allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices shall forthwith vest in the Government; and title to all like property thereafter acquired or produced by the Contractor and allocable or properly chargeable to this contract as aforesaid shall forthwith vest in the Government upon said acquisition, production or allocation. Notwithstanding that title to property is in the Government through the operation of this clause, the handling and disposition of such property shall be determined by the applicable provisions of this contract such as: the Default clause and paragraph (h) of this clause; Termination for Convenience of the Government clause; and the Special Tooling clause. Current production scrap may be sold by the Contractor without approval

of the Contracting Officer and the proceeds shall be credited against the costs of contract performance. With the consent of the Contracting Officer and on terms approved by him, the Contractor may acquire or dispose of property to which title is vested in the Government pursuant to this clause, and in that event, the costs allocable to the property so transferred from this contract shall be eliminated from the costs of contract performance and the Contractor shall repay to the Government (by cash or credit memorandum) an amount equal to the unliquidated progress payments allocable to the property so transferred. Upon completion of performance of all the obligations of the Contractor under this contract, including liquidation of all progress payments hereunder, title to all property (or the proceeds thereof) which had not been delivered to, and accepted by the Government under this contract or which had not been incorporated in supplies delivered to and accepted by the Government under this contract and to which title has vested in the Government under this clause shall vest in the Contractor. The provisions of this contract referring to or defining liability for Government-furnished property shall not apply to property to which the Government shall have acquired title solely by virtue of the provisions of this clause.

(e) Risk of Loss. Except to the extent that the Government shall have otherwise expressly assumed the risk of loss of property, title to which vests in the Government pursuant to this clause, in the event of the loss, theft or destruction of or damage to any such property before its delivery to and acceptance by the Government, the Contractor shall bear the risk of loss and shall repay the Government an amount equal to the unliquidated progress payments based on costs allocable to such lost, stolen, destroyed or damaged property.

(f) Control of Costs and Property. The Contractor shall maintain an accounting system and controls adequate for the proper administration of this clause.

(g) Reports and Information--Access to Records. Insofar as pertinent to the administration of this clause, the Contractor will (i) furnish promptly such relevant reports, certificates, financial statements, and other information as may be reasonably requested by the Contracting Officer, and (ii) give the Government reasonable opportunity to examine and verify his books, records and accounts.

(2)(i) With respect to costs of pension, profit sharing, and employee stock ownership plan contributions, when these contributions are paid by the Contractor to the pension, profit sharing, or employee stock ownership plan funds less frequently than quarterly, accruals of the costs of these contributions shall be excluded from the Contractor's total costs for progress payment purposes until such costs are paid. If pension, profit sharing, and employee stock ownership plan contributions are paid on a quarterly or more frequent basis, accruals of cost of these contributions may be included in the Contractor's total costs for progress payment purposes provided these contributions are paid to the pension, profit sharing, and employee stock ownership plan funds within thirty (30) days after the close of the period covered by the payment. If payments are not made to the pension, profit sharing, and employee stock ownership plan funds within such thirty (30) day period, these costs shall be excluded from the Contractor's total costs for progress payment purposes until payment therefor has been made.

(ii) For those Contractors who elected to use the special transition method provided in Cost Accounting Standard (CAS) 410, "Allocation of Business Unit General and Administrative Expense to Final Cost Objective", General and Administrative Expenses (G&A) shall not be included in incurred costs eligible for progress payments until the work-in-process inventories of those contracts entered into after the applicability date of CAS 410, exceed the amounts contained in the CAS 410 suspense account and then limited to this contract's pro rata share of the G&A allocable to such excess. This limitation shall not apply where the CAS 410 suspense account is less than 5 million dollars.

(3) The Contractor's total costs ((a)(1)(i)) shall be reasonable, allocable to this contract, and consistent with sound and generally accepted accounting principles and practices. However, such costs shall not include (i) any costs incurred by subcontractors or suppliers, or (ii) any payments or amounts payable to subcontractors or suppliers, except for completed work (including partial deliveries) to which the Contractor has acquired title and except for amounts paid or payable under cost-reimbursement or time and material subcontracts for work to which the Contractor has acquired title, or (iii) costs ordinarily capitalized and subject to depreciation or amortization except for the properly depreciated or amortized portion of such costs.

(4) The amount of unliquidated progress payments shall not exceed the lesser of (i) ninety percent (90%)**(See footnote at end of clause) of the costs mentioned in (a)(1)(i) above, plus any unliquidated progress payments mentioned in item (a)(1)(ii) above, both of which are applicable only to the supplies and services not yet delivered and invoiced to and accepted by the Government, or (ii) ninety percent (90%)**(See footnote at end of clause) of the total contract price of supplies and services not yet delivered and invoiced to and accepted by the Government, less unliquidated advance payments.

(5) The aggregate amount of progress payments made shall not exceed ninety percent (90%)**(See footnote at end of clause) of the total contract price.

(6) If at any time a progress payment or the unliquidated progress payments exceed the amount permitted by this paragraph (a), the Contractor shall pay the amount of such excess to the Government upon demand.

(7) If this contract includes FMS requirements, the contractor shall submit his requests for progress payments in accordance with the procedures below.

(i) If more than one customer country is covered by a contract, the Contractor shall submit one DD Form 1195 with a supporting schedule showing the portions of the total requested payment to be attributed to each country's requirement.

(ii) For the purpose of submitting DD Form 1195, the Contractor shall allocate costs among customer countries in a manner acceptable to the Administrative Contracting Officer.

(b) Liquidation. Except as provided in the clause entitled "Termination for Convenience of the Government" all progress payments shall be liquidated by deducting from any payment under this contract, other than advance or progress, the amount of unliquidated progress payments; or ninety percent (90%)**(See footnote at end of clause) or the applicable percentage (calculated in accordance with references in the *footnote at the end of the clause) of the gross amount invoiced, whichever is less. Repayment to the Government required by a retroactive price reduction will be made after calculating liquidations and payments on past invoices at the

(h) Special Provisions Regarding Default. If this contract is terminated pursuant to the clause entitled "Default," (i) the Contractor shall, upon demand, pay to the Government the amount of unliquidated progress payments and (ii) with respect to all property as to which the Government elects not to require delivery under the clause entitled "Default," title shall vest in the Contractor upon full liquidation of progress payments, and the Government shall be liable for no payment except as provided by the "Default" clause.

(i) Reservations of Rights. The rights and remedies of the Government provided in this clause shall not be exclusive, and are in addition to any other rights and remedies provided by law or under this contract. No payment, or vesting of title pursuant to this clause, shall excuse the Contractor from performance of his obligations under this contract, nor constitute a waiver of any of the rights and remedies of the parties under this contract. No delay or failure of the Government in exercising any right, power or privilege under this clause shall affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude or impair any further exercise thereof or the exercise of any other right, power or privilege of the Government.

(j) Progress Payments to Subcontractors.

(1) The amounts mentioned in item (a)(1)(ii) above shall be all progress payments paid by the Contractor to his subcontractors or other divisions and remaining unliquidated when under subcontracts or interdivisional orders which conform to (2) below.

(2) Subcontracts or interdivisional orders on which progress payments to subcontractors or other divisions may be included in the base for progress payments pursuant to paragraph (a) of this clause are limited to those subcontracts in which there is expected to be a long "lead time," between the beginning of work and the first delivery, approximating four months or more for small business concerns and six months or more for firms which are not small business concerns, and in which the provisions regarding progress payments are substantially similar to and as favorable to the Government as this "Progress Payment" clause (except that in the case of those subcontractors which are small business concerns a "Progress Payment" clause substantially similar to 7-104.35(b) may be used). Progress payment rates for subcontractors shall be

either the uniform, standard progress payment rate under DAR Appendix E-503 or (if the subcontractor qualifies under Appendix E-530.3) the flexible progress payment rate under Appendix E-530, at the election of the subcontractor. All rights of the subcontractor with respect to all property to which the Government has title under the subcontract will be made subordinate to the rights of the Government to require delivery of such property to it in the event of default by the Contractor under this contract or in the event of the bankruptcy or insolvency of the subcontractor.

(3) The Government agrees that any proceeds received by it from property to which it has acquired title by virtue of such provisions in any subcontract shall be applied to reduce the amount of unliquidated progress payments made by the Government to the Contractor under this contract. In the event the Contractor fully liquidates such progress payments made by the Government to him hereunder and there are progress payments to any subcontractors which are unliquidated, the Contractor shall be subrogated to all the Government's rights by virtue of such provisions in the subcontract or subcontracts involved as if all such rights had been thereupon assigned and transferred to the Contractor.

(4) To facilitate small business participation in subcontracting under this contract, the Contractor agrees to offer and provide progress payments to those subcontractors which are small business concerns, in conformity with the standards for customary progress payments stated in Appendix E of the Defense Acquisition Regulation, as in effect on the date of this contract. The Contractor further agrees that the need for such progress payments will not be considered as a handicap or adverse factor in the award of subcontracts.

(End of clause)

*See E-512.2 and E-512.3 for calculation of alternate liquidation percentages. For contractors who elected to use the transition method in Appendix A of CAS 410, see E-512.1 and E-512.3(f) for calculation of adjusted ordinary and alternate liquidation percentages.

**If the contract is subject to flexible progress payment procedures under Appendix E-530, the progress payment rate will be determined by using the DoD Cash Flow Computer Model. The progress payment rate thus determined will be set forth in the Schedule.

(b) *Progress Payment Clause for Small Business Concerns.*

Any change, addition, or deletion to this clause is subject to the prior approval requirements outlined in Appendix E, Part 2.

PROGRESS PAYMENT FOR SMALL BUSINESS CONCERNS (1981 OCT)

Progress payments shall be made to the Contractor when requested as work progresses, but not more frequently than monthly, **in amounts approved by the Contracting Officer under the following terms and conditions.**

(a) *Computation of Amounts.*

(1) Unless a smaller amount is requested, each progress payment shall be (i) ninety-five percent (95%)** (See footnote at end of clause) of the amount of the Contractor's total costs incurred under this contract, except as provided herein with respect to costs of pension contributions, plus (ii) the amount of progress payments to subcontractors as provided in (j) below; all less the sum of previous progress payments. With respect to costs of pension contributions, when pension contributions are paid by the Contractor to the retirement fund less frequently than quarterly, accruals of the costs of these pension contributions shall be excluded from Contractor's total costs for progress payment purposes until such costs are paid. If pension contributions are paid on a quarterly or more frequent basis, accruals of the costs of these pension contributions may be included in Contractor's total costs for progress payment purposes provided that the pension contributions are paid to the retirement fund within thirty (30) days after the close of the period covered by the payment. If payments are not made to the fund within such thirty-day period, pension contribution costs shall be excluded from Contractor's total costs for progress payment purposes until payment therefor has been made.

(2) The Contractor's total costs ((a)(1)(i)) shall be reasonable, allocable to this contract, and consistent with sound and generally accepted accounting principles and practices. However, such costs shall not include (i) any costs incurred by subcontractors or suppliers, or (ii) any payments or amounts payable to subcontractors or suppliers, except for completed work (including partial deliveries) to which the Contractor has acquired title and except for amounts paid or payable under cost-reimbursement or time and material subcontracts for work to which the Contractor has acquired title, or (iii) costs ordinarily capitalized and subject to depreciation or amortization except for the properly depreciated or amortized portion of such costs.

(3) The amount of unliquidated progress payments shall not exceed the lesser of (i) ninety-five percent (95%)**(See footnote at end of clause) of the costs mentioned in (a)(1)(i) above, plus any unliquidated progress payments mentioned in item (a)(1)(ii) above, both of which are applicable only to the supplies and services not yet delivered and invoiced to and accepted by the Government, or (ii) ninety-five percent (95%)** (See footnote at end of clause) of the total contract price of supplies and services not yet delivered and invoiced to and accepted by the Government, less unliquidated advance payments.

(4) The aggregate amount of progress payments made shall not exceed ninety-five percent (95%)**(See footnote at end of clause) of the total contract price.

(5) If at any time a progress payment or the unliquidated progress payments exceed the amount permitted by this paragraph (a), the Contractor shall pay the amount of such excess to the Government upon demand.

(6) If this contract includes FMS requirements, the Contractor shall submit his requests for progress payments in accordance with the procedures below.

(i) If more than one customer country is covered by a contract, the Contractor shall submit one DD Form 1195 with a supporting schedule showing the portions of the total requested payment to be attributed to each country's requirement.

(ii) For the purpose of submitting DD Form 1195, the Contractor shall allocate costs among customer countries in a manner acceptable to the Administrative Contracting Officer.

(b) Liquidation. Except as provided in the clause entitled "Termination for Convenience of the Government," all progress payments shall be liquidated by deducting from any payment under this contract, other than advance or progress, the amount of unliquidated progress payments, or ninety-five percent (95%) **(See footnote at end of clause), or the applicable percentage (calculated in accordance with references in the * footnote at the end of the clause) of the gross amount invoiced, whichever is less. Repayment to the Government required by a retroactive price reduction will be made after calculating liquidations and payments on past invoices at the reduced prices and adjusting the unliquidated progress payments accordingly.

(c) Reduction or Suspension. The Contracting Officer may reduce or suspend progress payments, or liquidate them at a rate higher than the percentage stated in (b) above, or both, whenever he finds upon substantial evidence that the Contractor (i) has failed to comply with any material requirement of this contract, (ii) has so failed to make progress, or is in such unsatisfactory financial condition, as to endanger performance of this contract, (iii) has allocated inventory to this contract substantially exceeding reasonable requirements, (iv) is delinquent in payment of the costs of performance of this contract in the ordinary course of business, (v) has so failed to make progress that the unliquidated progress payments exceed the fair value of the work accomplished on the undelivered portion of this contract, or (vi) is realizing less profit than the estimated profit used for establishing a liquidation percentage in paragraph (b), if that liquidation percentage is less than the percentage stated in paragraph (a)(1).

(d) Title. Immediately, upon the date of this contract, title to all parts; materials; inventories; work in process; special tooling as defined in the clause of this contract entitled "Special Tooling"; special test equipment and other special tooling to which the Government is to acquire title pursuant to any other provision of this contract; nondurable (i.e. noncapital) tools, jigs, dies, fixtures, molds, patterns, taps, gauges, test equipment, and other similar manufacturing aids title to which is not obtained as special tooling pursuant to this paragraph; and drawings and technical data (to the extent delivery thereof to the Government is required by other provisions of this contract); theretofore acquired or produced by the Contractor and allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices shall forthwith vest in the Government; and title to all like property thereafter acquired or produced by the Contractor and allocable or properly chargeable to this contract as aforesaid shall forthwith vest in the Government

upon said acquisition, production or allocation. Notwithstanding that title to property is in the Government through the operation of this clause, the handling and dispositon of such property shall be determined by the applicable provisions of this contract such as: the Default clause and paragraph (h) of this clause; Termination for Convenience of the Government clause; and the Special Tooling clause. Current production scrap may be sold by the Contractor without approval of the Contracting Officer and the proceeds shall be credited against the costs of contract performance. With the consent of the Contracting Officer and on terms approved by him, the Contractor may acquire or dispose of property to which title is vested in the Government pursuant to this clause, and in that event, the costs allocable to the property so transferred from this contract shall be eliminated from the costs of contract performance and the Contractor shall repay to the Government (by cash or credit memorandum) an amount equal to the unliquidated progress payments allocable to the property so transferred. Upon completion of performance of all the obligations of the Contractor under this contract, including liquidation of all progress payments hereunder, title to all property (or the proceeds thereof) which had not been delivered to, and accepted by the Government under this contract or which had not been incorporated in supplies delivered to and accepted by the Government under this contract and to which title has vested in the Government under this clause shall vest in the Contractor. The provisions of this contract referring to or defining liability for Government-furnished property shall not apply to property to which the Government shall have acquired title solely by virtue of the provisions of this clause.

(e) Risk of Loss. Except to the extent that the Government shall have otherwise expressly assumed the risk of loss of property, title to which vests in the Government pursuant to this clause, in the event of the loss, theft or destruction of or damage to any such property before its delivery to and acceptance by the Government, the Contractor shall bear the risk of loss and shall repay the Government an amount equal to the unliquidated progress payments based on costs allocable to such lost, stolen, destroyed or damaged property.

(f) Control of Costs and Property. The Contractor shall maintain an accounting system and controls adequate for the proper administration of this clause.

(g) Reports and Information--Access to Records. Insofar as pertinent to the administration of this clause, the Contractor will (i) furnish promptly such relevant reports, certificates, financial statements, and other information as may be reasonably requested by the Contracting Officer, and (ii) give the Government reasonable opportunity to examine and verify his books, records and accounts.

(h) Special Provisions Regarding Default. If this contract is terminated pursuant to the clause entitled "Default," (i) the Contractor shall, upon demand, pay to the Government the amount of unliquidated progress payments and (ii) with respect to all property as to which the Government elects not to require delivery under the clause entitled "Default," title shall vest in the Contractor upon full liquidation of progress payments, and the Government shall be liable for no payment except as provided by the "Default" clause.

(i) Reservations of Rights. The rights and remedies of the Government provided in this clause shall not be exclusive, and are in addition to any other rights and remedies provided by law or under this contract. No payment, or vesting of title pursuant to this clause, shall excuse the Contractor from performance of his obligations under this contract, nor constitute a waiver of any of the rights and remedies of the parties under this contract. No delay or failure of the Government in exercising any right, power or privilege under this clause shall affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude or impair any further exercise thereof or the exercise of any other right, power or privilege of the Government.

(j) Progress Payments to Subcontractors.

(1) The amount mentioned in item (a)(1)(ii) above shall be the sum of (i) all the progress payments made by the Contractor to his subcontractors and remaining unliquidated, and (ii) unpaid billings for progress payments to subcontractors which have been approved for current payment in the ordinary course of business, when under subcontracts which conform to (2) below.

(2) Subcontracts on which progress payments to subcontractors may be included in the base for progress payments pursuant to paragraph (a) of this clause are limited to those subcontracts in which there is expected to be a long "lead time," between the beginning of work and the first delivery, approximating four months or more for small business concerns and six months or more for firms which are not small business concerns, and in which the provisions regarding progress payments are substantially similar to and as favorable to the Government as this "Progress Payments" clause (except that in the case of those subcontractors which are small business concerns a "Progress Payment" clause substantially similar to 7-104.35(b) may be used). Progress payment rates for subcontractors shall be either the uniform, standard progress payment rate under Appendix E-503 or (if the subcontractor qualifies under Appendix E-530.3) the flexible progress payment rate under Appendix E-530, at the election of the subcontractor.

All rights of the subcontractor with respect to all property to which the Government has title under the subcontract will be made subordinate to the rights of the Government to require delivery of such property to it in the event of default by the Contractor under this contract or in the event of the bankruptcy or insolvency of the subcontractor.

(3) The Government agrees that any proceeds received by it from property to which it has acquired title by virtue of such provisions in any subcontract shall be applied to reduce the amount of unliquidated progress payments made by the Government to the Contractor under this contract. In the event the Contractor fully liquidates such progress payments made by the Government to him hereunder and there are progress payments to any subcontractors which are unliquidated, the Contractor shall be subrogated to all the Government's rights by virtue of such provisions in the subcontract or subcontracts involved as if all such rights had been thereupon assigned and transferred to the Contractor.

(4) The billings described in (j)(1)(ii) above shall be paid promptly by the Contractor in the ordinary course of business, not later than a reasonable time after payment of equivalent amounts by the Government to the Contractor.

(5) To facilitate small business participation in subcontracting under this contract, the Contractor agrees to offer and provide progress payments to those subcontractors which are small business concerns, in conformity with the standards for customary progress payments stated in Appendix E of the Defense Acquisition Regulation, as in effect on the date of this contract. The Contractor further agrees that the need for such progress payments will not be considered as a handicap or adverse factor in the award of subcontracts.

(End of clause)

*For lower percentages for this paragraph (b) and for (a)(3)(ii) and (a)(4), see E-512.1.

**If the contract is subject to flexible progress payment procedures under Appendix E-530, the progress payment rate will be determined by using the DoD Cash Flow Computer Model. The progress payment rate thus determined will be set forth in the Schedule.

(c) Flexible Progress Payments. In addition to the clauses in (a) or (b) above, when flexible progress payment procedures are used in accordance with E-530, insert the following clause. Any change, addition, or deletion to this clause is subject to the prior approval requirements outlined in Appendix E, Part 2.

FLEXIBLE PROGRESS PAYMENTS (1981 OCT)

This contract is subject to flexible progress payment procedures. The progress payment rate of this contract is _____%, and this percentage applies in lieu of the uniform, standard progress payment rate and liquidation rate at each "**" of the "Progress Payments" clause, DAR 7-104.35(a) (or 7-104.35(b), as appropriate). The progress payment rate of this contract was determined by the DoD Cash Flow Computer Model, (dated _____), using five percent (5%) as the targeted rate for the Contractor's investment (as a weighted average of costs) in its work in process inventory over the life of the contract. If actual and projected cash flow data generated during performance of this contract reveal that the progress payment rate will result in an investment in work in process inventory by the Contractor in excess of seven percent (7%), or less than three percent (3%), the progress payment rate shall be redetermined by using the DoD Cash Flow Computer Model. Unless it contained an error, the version of the DoD Cash Flow Computer Model that was used initially in this contract will be used for any redetermination permitted by this clause. In no event will the progress payment rate be less than the uniform, standard progress payment rate that would have applied to this contract absent flexible progress payment procedures, and in no event will the progress payment rate be greater than one hundred percent (100%).

(End of clause)

7-104.36 *Consideration for Affected Employees in the Redwood National Park Area.* In accordance with 1-332, contracts awarded prior to 30 September 1984 shall contain the following clause.

CONSIDERATION FOR AFFECTED EMPLOYEES IN THE REDWOOD NATIONAL PARK AREA (1980 AUG)

(a) The Contractor agrees, consistent with the requirements of Public Law 95-250, The Redwood National Park Expansion Act, that until September 30, 1984, all suitable employment openings of the Contractor which occur pursuant to the execution of the performance of this contract, and which are located primarily in the northern California counties of Humbolt, Del Norte, Trinity, Siskiyou and Mendocino, shall be listed at the nearest California Office of the State Employment Development Department (EDD).

(b) Listing of employment openings with the EDD pursuant to this clause shall be made at least concurrently with the use of any other recruitment source or effort and shall involve the obligation to accept referrals of affected Redwood employees. The listing of employment openings does not require the hiring of any particular job applicant, but does require hiring from that group of affected employee job applicants who already possess the skills and training necessary to perform the job or who could reasonably be expected to gain such skills after appropriate training of reasonable duration. Nothing herein is intended to relieve the Contractor from any requirements in executive orders or regulations regarding nondiscrimination in employment.

(c) The provisions of paragraph (b) apply to a particular opening once an employer decides to consider applicants outside of its own organization or employer-union agreement for that opening.

(d) The Contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

(e) In the event of the Contractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

(f) The Contractor will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract arrangement

CONTRACT CLAUSES AND SOLICITATION PROVISIONS

7–1303.6 *Containers and Equipment.* If the contractor is to furnish cabinets for dispensing milk from bulk containers, a notice so stating shall be included in the Schedule of solicitations and resultant contracts. The notice shall state (i) the number of dispenser cabinets required, or a reasonably accurate estimate thereof, (ii) whether metal stands for the cabinets are required, (iii) the number of cabinets required with a capacity of two containers each, and (iv) the number required with a capacity of three containers each. In addition, the following clause shall be included in the contract.

CONTAINERS AND EQUIPMENT (1967 APR)

(a) Dispenser containers and filling equipment used by the Contractor in the performance of this contract, and any refrigerated bulk milk dispenser cabinets furnished by the Contractor, shall comply with MIL-STD–175, "Minimum Sanitary Standards for the Equipment and Methods for the Handling of Milk and Milk Products in Bulk Milk Dispensing Operations," as amended.

(b) Any bulk milk dispenser cabinets required by the Schedule to be furnished by the Contractor shall be installed, serviced, and maintained to the satisfaction of the Contracting Officer. All responsibility for the supply, installation, maintenance, and removal thereof, including labor and material costs, and for any damage thereto or loss or destruction, shall remain with the Contractor.

(c) When, and for as long as, the Contractor fails to furnish bulk milk dispenser cabinets or milk dispenser containers as required in the Schedule, or does not properly service, maintain, and repair said dispenser cabinets, so that milk cannot be dispensed as needed by the Government, the Contractor shall deliver a sufficient quantity of milk in half-pint containers to satisfy orders for milk dispenser containers, at the price per gallon for milk dispenser containers.

(d) Any contamination, spoilage, leakage, or other loss of any contents of a dispenser container due to functional failure of the dispenser cabinets or dispenser containers, except for a general power failure at the Government installation, shall be replaced immediately by the Contractor without cost to the Government.

(e) The tare weight of dispenser containers required to be certified in accordance with paragraph (b) of the clause entitled "Examination and Testing" shall include all parts of the container delivered as a complete unit, including lids, tubes, and seals.

(End of clause)

CONTRACT CLAUSES AND SOLICITATION PROVISIONS

Part 14—Laundry and Dry Cleaning Contracts

7–1400 Scope of Part. This Part sets forth special uniform contract clauses for laundry and dry cleaning contracts (see Section XXII, Part 7). These clauses are to be used when applicable in addition to other required or applicable clauses prescribed by Section VII, Part 19.

7–1401 Clauses to be Used When Applicable. The clauses of this paragraph may be modified to meet local conditions.

7–1401.1 *Activities.*

ACTIVITIES (1967 APR)

Activities to be covered by this contract are:

.....

.....

(End of clause)

7–1401.2 *Contract Period.*

CONTRACT PERIOD (1967 APR)

Any contract awarded as a result of bids submitted under this Invitation for Bids shall extend from ..... or date of contract award, whichever is later, through ....., both dates inclusive, unless sooner terminated under the terms of the contract.

(End of clause)

7–1401.3 *Reserved.*

7–1401.4 *Pickup and Delivery Points and Times.*

PICKUP AND DELIVERY POINTS AND TIMES (1981 OCT)

The locations for pickup and delivery and the times therefor are set forth below.

Location .....

Pickup Time .....

Delivery Time .....

The unit prices include all pickup and delivery charges.

(End of clause)

7–1401.5 *Count or Weight of Articles.* In accordance with 22-702, include the following, as applicable.

(a) *Count of Articles.* The following clause is for inclusion in contracts for laundry and dry cleaning services on a count of articles basis.

COUNT OF ARTICLES (1967 APR)

(a) The Contractor shall be liable for return of the number and kind of articles furnished for service under this contract, in accordance with the count of the Contracting Officer, or the number and kind of articles agreed upon as a result of a joint count by the Contractor and the Contracting Officer at the time of delivery to the Contractor.

(b) Delivery tickets in the number of copies required, and in the form approved by the Contracting Officer shall be completed by the Contractor at the time of his receipt of the articles to be serviced. One copy of each delivery ticket shall accompany the Contractor's invoice.

(End of clause)

In contracts that provide for laundry or dry cleaning service to individual personnel (see 7-1401.12), add the following paragraph (c) to the above clause.

(c) Individual laundry bundle delivery tickets shall be provided by the Contractor as specified in the clause entitled "Individual Laundry" of the General Provisions of this contract.

(b) *Weight of Articles (Bag Type).* The following clause is for inclusion in contracts which require laundry services by bulk weight of bag type.

WEIGHT OF ARTICLES (BAG TYPE) (1981 OCT)

(a) The Contractor shall be liable for the return of the articles furnished for service under this contract.

(b) Delivery tickets in the number of copies required, and in the form approved by the Contracting Officer, shall be completed by the Contractor at the time of his receipt of the articles to be serviced. One copy of each delivery ticket shall accompany the Contractor's invoice.

(c) Prior to Contractor pickup of articles for service under this contract, the Contracting Officer shall ensure that each bag contains only articles within a single bag type as specified in the Schedule. The Contracting Officer shall ensure each bag is weighed and that this weight and bag type are identified on the bag. The bag shall always be included in this weight. This weight and the bag type shall be verified by the Contractor who shall record the verified weight and bag type on the delivery ticket. One copy of the delivery ticket shall be retained by the Government.

(d) At the time of delivery, the Contractor shall record the weight and bag type of serviced laundry on the delivery ticket. The Contracting Officer will ensure that this weight and bag type are verified at time of delivery.

(End of clause)

(c) *Weight of Articles (Unsorted).* The following clause shall be included in all contracts which require laundry services by unsorted bulk weight.

WEIGHT OF ARTICLES (UNSORTED) (1981 OCT)

(a) The Contractor shall be liable for the return of the articles furnished for service under this contract.

(b) Delivery tickets in the number of copies required, and in the form approved by the Contracting Officer, shall be completed by the Contractor at the time of his receipt of the articles to be serviced. One copy of each delivery ticket shall accompany the Contractor's invoice.

(c) Prior to Contractor pickup of articles for service under this contract, the Contracting Officer shall ensure each bag is weighed and that this weight is identified on the bag. The bag shall always be included in this weight. This weight shall be verified by the Contractor who shall record the verified weight on the delivery ticket. One copy of the delivery ticket shall be retained by the Government.

(d) At the time of delivery, the Contractor shall record the weight of serviced laundry on the delivery ticket. The Contracting Officer shall ensure that this weight is verified at time of delivery.

(End of clause)

7-1401.6 *Loss or Damage.*

(a) A clause substantially as follows shall be included in all contracts for laundry and dry cleaning services on a count of article basis.

LOSS OR DAMAGE (COUNT OF ARTICLES) (1981 OCT)

(a) The Contractor shall indemnify the Government for any property delivered to the Contractor for servicing under this contract which is lost, or which is damaged and, in the opinion of the Contracting Officer, cannot be repaired satisfactorily. In either of these events, the Contractor shall pay to the Government the value thereof in accordance with Federal Supply Schedule price lists. If the property is not on these price lists, the Contracting Officer shall determine a fair and just price. Credit shall be allowed for any depreciation in the value of the property at the time of loss or damage, and the parties hereto shall determine the amount of the allowable credit. If the parties fail to agree upon the value of the property, or fail to agree on the amount of credit due, the dispute shall be determined as provided in the clause hereof entitled "Disputes."

(b) In case of damage to any property which the Contracting Officer and the Contractor agree can be satisfactorily repaired, the Contractor shall repair the property at his expense in a manner satisfactory to the Contracting Officer.

(End of clause)

(b) A clause substantially as follows shall be included in all contracts for laundry services on a bulk weight basis.

LOSS OR DAMAGE (WEIGHT OF ARTICLES) (1981 OCT)

(a) The Contractor shall indemnify the Government for any property delivered to the Contractor for servicing under this contract which is lost, or which is damaged, and, in the opinion of the Contracting Officer, cannot be repaired satisfactorily. In either of these events, the Contractor shall pay to the Government the value thereof in accordance with the price of __*__ per pound. The Contractor shall only be required to pay the Government for any losses which exceed the maximum weight loss allowable by the clause hereof entitled "Maximum Weight Loss." If the parties fail to agree on the amount of credit due, the dispute shall be determined as provided in the clause hereof entitled "Disputes."

(b) In case of damage to any property which the Contracting Officer and the Contractor agree can be satisfactorily repaired, the Contractor shall repair the property at his expense in a manner satisfactory to the Contracting Officer.

*Insert reasonable per pound price based on the average per pound value of the property to be serviced. When the contract requires laundry services on a bag type basis, reasonable per pound prices shall be identified by bag type.

(End of clause)

7-1401.7 *Storage and Handling.*

STORAGE AND HANDLING (1967 APR)

During the time Government-owned property is in the possession of the Contractor, it shall be adequately stored and protected. When contaminated hospital linen is furnished for service under this contract, it shall be handled separately from other articles.

(End of clause)

7-1401.8 *Vehicles.*

VEHICLES (1981 OCT)

Vehicles used in the transportation of items called for in this contract shall be clean, conform to commercial standards, and equipped to protect against contamination of the items. Such vehicles shall be subject to examination at all times by the Contracting Officer.

(End of clause)

7-1401.9 *Reserved.*

7-1401.10 *Reserved.*

7-1401.11 *Special Definitions of Government Property.*

SPECIAL DEFINITIONS OF GOVERNMENT PROPERTY (1967 APR)

(a) The term "Government-furnished property," as used in this contract, means any supplies or facilities furnished to the Contractor by the Government for use in connection with the performance of this contract, but does not include the articles delivered to the Contractor to be laundered or dry cleaned.

(b) The term "Government-owned property," as used in this contract, means all of the articles delivered to the Contractor to be laundered or dry cleaned, expressly including any articles which may actually be owned by individual Government personnel.

(End of clause)

7-1401.12 *Individual Laundry.* The following clause shall be inserted in any contracts which, pursuant to Departmental authority, provide for laundry service to individual personnel.

INDIVIDUAL LAUNDRY (1967 APR)

(a) The Contractor shall provide laundry service on both a unit bundle and on a piece-rate bundle basis for individual personnel when required by this contract. The total number of pieces listed in the column "Estimated Quantity" in the Schedule is the estimated amount of individual laundry for this contract, but does not constitute any representation as to the amount of individual laundry to be required. Individuals may elect whether they shall patronize the laundry services. Services covered by this provision shall be on a weekly basis and the schedule for pickup and delivery shall be as specified elsewhere in this contract. Charges for individual laundry shall be on a per unit bundle or a piece-rate basis as indicated on the form, to be furnished by the Contractor, accompanying the bundle at time of pickup.

(b) The maximum number of pieces to be allowed per bundle is as specified in the Schedule and as follows:*

(i) Bundle consisting of twenty-six (26) pieces including laundry bag. This bundle shall contain approximately ..... pieces of outer garments which are to be starched and pressed. Outer garments shall include but not be limited to cotton shirts, trousers, jackets, dresses, coats.

(ii) Bundle consisting of thirteen (13) pieces including laundry bag. This bundle shall contain approximately ..... pieces of outer garments which are to be starched and pressed. Outer garments shall include but not be limited to cotton shirts, trousers, jackets, dresses, coats.

(c) Individual laundry bundles shall be accompanied by forms listing the items contained therein, prepared by the patrons concerned. Forms on individual laundry bundles shall clearly identify unit bundle or piece-rate bundle as applicable when both services are provided by this contract.

(End of clause)

*The number of pieces and the composition of a bundle may be revised by the contracting officer prior to advertising to meet local conditions.

7-1401.13 *Right of First Refusal for Employment Openings.* In accordance with 4-1202, insert the clause in 7-104.104.

7-1401.14 *Maximum Weight Loss.* The following clause shall be included in all contracts for laundry services on a bulk weight basis.

MAXIMUM WEIGHT LOSS (1981 OCT)

The maximum weight loss allowable in servicing the laundry is * percent of the weight recorded on delivery tickets, as set forth in the clause entitled "Weight of Articles," when the laundry is picked up. Any weight loss in excess of this amount shall be subject to the clause hereof entitled "Loss or Damage."

*Insert applicable percentage not to exceed eight percent (8%).

(End of clause)

that the work called for by this solicitation will require the use of such other classes, the wage rates applicable to them have not been reprinted herein. However, if any such classes of laborers or mechanics actually are employed to perform work under the contract resulting from this solicitation, payment will be required as specified in this clause entitled "*Davis-Bacon Act*" at wage rates contained in the complete decision of the Secretary of Labor. Offerors desiring the complete decision may request it from the Contracting Officer.

(End of clause)

7-2003.58 *Advertised Solicitations for Mortuary Services.* In accordance with 22-502, insert the following clause (appropriately modified for negotiated procurements) in solicitations for mortuary services.

AWARD TO SINGLE BIDDER (1965 OCT)

Subject to the provisions contained herein, award shall be made to a single bidder. Bids must include unit prices for each item listed in order that bids may be properly evaluated. Failure to do this shall be cause for rejection of the entire bid. Bids shall be evaluated on the basis of the estimated quantities shown and award shall be made to that responsible bidder whose total aggregate price is low.

(End of clause)

7-2003.59 *Provisions for Shipment or Storage of Personal Property* (see 22-600.3).

(a) The following provision for evaluation of bids shall be included in all solicitations.

EVALUATION OF BIDS (1977 APR)

(a) Bids will be evaluated on the basis of total aggregate price of all items within an area of performance under a given schedule. A bidder must bid on all items within a specified area of performance for a given schedule. Failure to do so shall be cause for rejection of the bid for that area of performance of that schedule. Any bid which stipulates minimum charges or graduated prices for any or all items shall be rejected for that area of performance within the schedule.

(b) In addition to other factors, bids will be evaluated on the basis of advantages or disadvantages to the Government that might result from making more than one award (multiple awards). For the purpose of making this evaluation, it will be assumed that the sum of $100 would be the administrative cost to the Government for issuing and administering each contract awarded under this invitation, and individual awards will be for the items and combinations of items which result in the lowest aggregate price to the Government, including such administrative costs.

(End of provision)

(b) When "additional services" items are added to any schedule, the following provision shall be included in the solicitation, (see 22-601.2(b)(ii)).

EVALUATION OF BIDS (1977 APR)

(a) Bids will be evaluated on the basis of total aggregate price of all items within an area of performance under a given schedule. A bidder must bid on all items within a specified area of performance for a given schedule. Failure to do so shall be cause for rejection of the bid for that area of performance of that schedule. Any bid which stipulates minimum charges or graduated prices for any or all items shall be rejected for that area of performance within the schedule.

(b) In addition to other factors, bids will be evaluated on the basis of advantages or disadvantages to the Government that might result from making more than one award (multiple awards). For the purpose of making this evaluation, it will be assumed that the sum of $100

would be the administrative cost to the Government for issuing and administering each contract awarded under this invitation, and individual awards will be for the items and combinations of items which result in the lowest aggregate price to the Government, including such administrative costs.

(c) Notwithstanding (a) above, when "additional services" are added to any schedule, such "additional services" items will not be considered in the evaluation of bids.

(End of clause)

(c) The following provision governing award shall be included in all solicitations.

AWARD (1977 APR)

Award shall be made to the qualified low bidder by area under each of the specified schedules to the extent of his stated guaranteed daily capability as provided herein and the clause entitled "*Estimated Quantities.*" The Government reserves the right to make an award of two or more areas to a single bidder if such award will result in an overall lower estimated cost to the Government. The Government also reserves the right to award additional contracts, as a result of this solicitation, to the extent necessary to meet its estimated maximum daily requirements.

(End of provision)

7-2003.60 *Solicitation Provisions for Laundry and Dry Cleaning Services.* See 22-703.

(a) When bids for laundry and dry cleaning services are solicited on a count of articles basis, include the following provision (appropriately modified to meet local conditions) in the solicitation.

INSTRUCTIONS TO BIDDERS (COUNT OF ARTICLES) (1981 OCT)

(a) Bids must include unit prices for each item in a lot. Unit prices must include all costs to the Government of providing the services, including pickup and delivery charges. Failure to bid on any item in a lot shall be cause for rejection of the bid on that lot. Bids shall be evaluated on the basis of the estimated quantities stated in the invitation. Subject to the provision contained herein, award generally shall be made to a single bidder for all lots. The Government reserves the right, however, to award by individual lot when the Contracting Officer determines that this is more advantageous to the Government.

(b) Upon application to the Contracting Officer, types of articles to be serviced may be inspected prior to bidding.

(End of provision)

(b) When bids for laundry and dry cleaning services are solicited on a bulk weight basis, include the following provision (appropriately modified to meet local conditions) in the solicitation.

INSTRUCTIONS TO BIDDERS (BULK WEIGHT) (1981 OCT)

(a) Bids must be submitted on a unit price per pound of serviced laundry. Unit prices must include all costs to the Government of providing the service, including pickup and delivery charges. Bids shall be evaluated on the basis of the estimated pounds of serviced laundry stated in the invitation. Subject to the provision contained herein, award generally shall be made to a single bidder

for all lots. The Government reserves the right, however, to award by individual lot when the Contracting Officer determines that this is more advantageous to the Government.

(b) Upon application to the Contracting Officer, types of articles to be serviced may be inspected prior to bidding.

(End of provision)

7-2003.61 *Predetermination of Rights in Technical Data.* In accordance with 9-202.2(d)(3), insert the following provision.

PREDETERMINATION OF RIGHTS IN TECHNICAL DATA (1976 JUL)

(a) The offeror is requested to identify in his proposal which of the below listed data (including data to be furnished in whole or in part by a subcontractor) when delivered, he intends to identify as limited rights data in accordance with paragraph (b) of the "Rights in Technical Data and Computer Software" clause of this Solicitation. This identification need not be made as to data which relate to standard commercial items which are manufactured by more than one source of supply.

(*The Solicitation should list here that technical data or portions thereof with respect to which the Government proposes use of the predetermination procedure. Data which clearly comes within paragraph (b)(1) of the "Rights in Technical Data and Computer Software" clause and would therefore be acquired with unlimited rights should not be listed.*)

(b) Limited rights data may be identified as such, pursuant to (a) above only if it pertains to items, components or processes developed at private expense. Nevertheless, it cannot be so identified if it comes within paragraph (b)(1) of the "Rights in Technical Data and Computer Software" clause. At the request of the Contracting Officer or his representative, the offeror

7-2003.91 *Certification of Handicapped Organizations.* In accordance with 2-201(a)Sec.K(xxi), 2-201(b)(1xiv), 3-501(b)Sec.K(xxiii), and 3-501(c)(1xvi), insert the following provision.

HANDICAPPED ORGANIZATIONS (1981 SEP)

The Offeror certifies that it is [ ] is not [ ] an organization eligible for assistance under section 7(h) of the Small Business Act (15 USC 636). An Offeror certifying in the affirmative is eligible to participate in any resultant contracts hereunder or any part thereof as if he were a small business concern as elsewhere defined in the solicitation. An organization to be eligible under section 7(h) of the Small Business Act must be one (i) organized under the laws of the United States or any state; (ii) operated in the interest of handicapped individuals; (iii) the net income of which does not inure in whole or part to the benefit of any shareholder or other individual; (iv) that complies with any applicable occupational health and safety standard prescribed by the Secretary of Labor; (v) that, during the fiscal year in which it bids upon a set-aside, employs handicapped individuals for not less than 75 per cent of the man-hours required for the production or provision of commodities or services; and (vi) that can qualify under the additional criteria prescribed in Section 118.11, SBA Rules and Regulations, 13 CFR 118.11. For purposes of this clause, the term "handicapped individual" means a person who has a physical, mental, or emotional impairment, defect, ailment, disease, or disability of a permanent nature which in any way limits the selection of any type of employment for which the person would otherwise be qualified or qualifiable.

(End of provision)

on Standard Form 28 as the amount of outstanding bond obligation of an individual surety may have a substantial bearing on the financial position of such individual surety. The contracting officer may determine that the total amount entered in block 10 should be deducted from the net worth figure entered on line g, block 7, to arrive at a more realistic net worth or he may determine to deduct nothing, or only a portion of the amount entered in block 10 if upon inquiry he discovers that the contracts on which the bonds were written are completed in part and suppliers and materialmen paid in part. Affidavits should be scrutinized closely by a contracting officer in any case where an individual surety is underwriting a bond for a principal for whom that surety has underwritten other outstanding bonds. If the contracting officer cannot make a determination of net worth on the basis of information furnished on Standard Form 28, he should require the individual surety to furnish additional information. As a general rule, the contracting officer should not require extrinsic evidence of an individual surety's net worth (other than Standard Form 28) unless Standard Form 28 is not filled out completely or properly, or unless the contracting officer has reason to believe that the individual surety's statements on Standard Form 28 do not reflect his true net worth.

(e) *Stockholders as Sureties*. On any bond of which a corporation is the principal obligor, a stockholder of that corporation is acceptable as cosurety on the bond; *provided*, that his net worth exclusive of his stock holdings or other interests, such as loans, in the corporation is equal to the amount for which he justified and *provided further*, that such fact is expressly stated in his affidavit of justification.

10–201.3 *Partnerships as Sureties*. A partnership or other unincorporated association, as such, shall not be accepted as surety. The individual members of the partnership or association may, if they meet the requirements of paragraph 10–201.2 above, qualify as sureties. Individual members of a partnership or association shall not be acceptable as sureties on bonds under which the partnership or association, or any copartner or member thereof, is the principal obligor.

10–201.4 *Substitution or Replacement of Surety*. In case of financial embarrassment, failure, or other disqualifying cause on the part of a surety, substitution of a new surety is required. In other cases, substitute sureties may be accepted, when consistent with the Government's interest (see 10–110).

10–202 Options in Lieu of Sureties for Performance and Payment Bonds. Any one or more of the types of security listed below may be deposited by the contractor in lieu of furnishing corporate or individual sureties on bonds. Any such security accepted by the contracting officer shall be promptly turned over to the disbursing officer concerned for other than Air Force contracts, and to the accounting and finance officer concerned for Air Force contracts, except that when United States bonds or notes are involved, they shall be deposited as provided in 10–202.1. Any such security or its equivalent shall be returned to the contractor when the obligation of the bond has by its terms ceased.

10–202.1 *United States Bonds or Notes*. In accordance with the provisions of the Act of 24 February 1919, as amended (6 U.S.C. 15) and Treasury Department Circular No. 154 (Revised, 31 October 1969), any person required to furnish a bond has the option, in lieu of furnishing surety or sureties thereon, of

depositing United States bonds or notes in an amount equal at their par value to the penal sum of the bond, together with an agreement authorizing the collection or sale of such United States bonds or notes in the event of default on the penal bond. The contracting officer may turn these securities over to the disbursing officer or accounting and finance officer as provided in 10–202, or deposit them with a Federal Reserve Bank, or Branch, having the requisite facilities, or other depository duly designated for that purpose by the Secretary of the Treasury.

10–202.2 *Certified or Cashier's Checks, Bank Drafts, Money Orders, or Currency*. Any person required to furnish a bond has the option, in lieu of furnishing surety or sureties thereon, of furnishing a certified or cashier's check, a bank draft, a Post Office money order, or currency, in an amount equal to the penal sum of the bond, which the contracting officer will immediately deposit with the appropriate activity named in 10–202. Certified or cashier's checks, bank drafts, or Post Office money orders shall be drawn to the order of the office designated for contract administration.

rentals, transportation, and gratuities, are unallowable. (But see 15–205.10 and 15–205.43).

15–205.12 *Cost of Idle Facilities and Idle Capacity.* (CWAS)

(a) As used in this paragraph, the words and phrases defined in this subparagraph (a) shall have the meanings set forth below.

(1) *Facilities* means plant or any portion thereof (inclusive of land integral to the operation); equipment individually or collectively; or any other tangible capital asset, wherever located, and whether owned or leased by the contractor.

(2) *Idle Facilities* means completely unused facilities that are excess to the contractor's current needs.

(3) *Idle Capacity* means the unused capacity of partially used facilities. It is the difference between that which a facility could achieve under 100 percent operating time on a one shift basis* less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period.

*A multiple shift basis may be used if it can be shown that this amount of usage could normally be expected for the type of facility involved.

(4) *Costs of Idle Facilities or Idle Capacity* are costs such as maintenance, repair, housing, rent, and other related costs, *e.g.*, property taxes, insurance, and depreciation.

(b) The costs of idle facilities are unallowable except to the extent that:

(i) they are necessary to meet fluctuations in workload; or

(ii) although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, contractor efforts to produce more economically, reorganization, termination, or other causes which could not have been reasonably foreseen.

Under the exception stated in (ii) of this subparagraph (b), costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending upon the initiative taken to use, lease, or dispose of such facilities (but see 15–205.42(b) and (e)).

(c) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or overhead rates from period to period. Such costs are allowable, *provided* the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics, or security practices. Widespread idle capacity throughout an entire plant or among a group of assets having substantially the same function may be idle facilities.

(d) Any costs to be paid directly by the Government for idle facilities or idle capacity reserved for defense mobilization production shall be the subject of a separate agreement.

15–205.13 *Fines and Penalties.* (CWAS-NA) Costs of fines and penalties resulting from violations of, or failure of the contractor to comply with, Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the contract, or instructions in writing from the contracting officer.

15–205.14 *Reserved.*

15–205.15 *Fringe Benefits.* See 15–205.6(g).

15–205.16 *Insurance and Indemnification (Purchased Insurance CWAS) (Self-Insurance CWAS-NA)*

(a) Insurance by purchase or by self-insuring includes (i) coverage which the contractor is required to carry, or which is approved, under the terms of the contract, and (ii) any other coverage which the contractor maintains in connection with the general conduct of his business. Any contractor desiring to establish a program of self-insurance applicable to contracts not subject to Cost Accounting Standard (CAS) 416 must comply with the self-insurance provisions of the Standard as well as Section X of this Regulation. Approval of a contractor's insurance program in accordance with Section X does not constitute a determination as to the allowability of the program's cost. The amount of insurance costs which may be allowed is subject to the cost limitations and exclusions set forth in the following subparagraphs.

(1) Costs of insurance required or approved, and maintained, pursuant to the contract, are allowable.

(2) Costs of other insurance maintained by the contractor in connection with the general conduct of his business are allowable subject to the following limitations:

(i) types and extent of coverage shall be in accordance with sound business practice and the rates and premiums shall be reasonable under the circumstances;

(ii) costs allowed for business interruption or other similar insurance shall be limited to exclude coverage of profit;

(iii) the cost of property insurance premiums for insurance coverage in excess of acquisition cost of the insured assets is allowable *provided* the contractor has a formal written policy assuring that in the event the insured property is involuntarily converted, the new asset shall be valued at the book value of the replaced asset plus or minus adjustments for differences between insurance proceeds and actual replacement cost. If the contractor does not have such a formal written policy, the cost of premiums for insurance coverage in excess of the acquisition cost of the insured asset is unallowable.

(iv) costs of insurance for the risk of loss of or damage to Government property are allowable only to the extent that the contractor is liable for such loss or damage and such insurance does not cover loss or

the duration of the function can be determined. Technological life may be used by the contractor if he can demonstrate that existing facilities must be replaced because of:

(i) specific program objectives or contract requirements which cannot be accomplished with the existing facilities;

(ii) cost reductions which will produce identifiable savings in production or overhead costs;

(iii) increase in workload volume which cannot be accomplished efficiently by modifying or augmenting existing facilities; or

(iv) consistent pattern of capacity operation (2 1/2–3 shifts) on existing facilities.

Technological advances per se will not justify replacement of existing facilities before the end of their physical life if such existing facilities will be able to satisfy future requirements or demands.

(2) In estimating the least cost to the Government for such useful life, the cumulative costs that would be allowed if the contractor owned the property should be compared with cumulative costs that would be allowed under any of the various types of leasing arrangements available. For the purposes of this comparison, the costs of ADPE exclude interest or other unallowable costs pursuant to Section XV, Part 2; they include but are not limited to the costs of operation, maintenance, insurance, depreciation, facilities capital cost of money, rental, and the cost of machine services, as applicable.

(d)(1) Except as provided in (3) below, the contractor's justification, under (b)(1) above, of his leasing decisions shall consist of but is not limited to the following supporting data, prepared prior to acquisition:

(i) analysis of utilization of existing ADPE;

(ii) application of the criteria in (b) above;

(iii) specific objectives or requirements, generally in the form of a data system study and data system specification;

(iv) solicitation of proposals from qualified sources based on the data system specification; and

(v) proposals received in response to the solicitation, and reasons for selection of the equipment chosen and for the decision to lease.

(2) Except as provided in (3) below, the contractor's annual justification, under (b)(2) above, of his decision to retain or change his existing ADPE capability and the need to continue leasing that capability shall consist of but is not limited to current data as specified in (i) through (iii) above.

(3) When a contractor's prospective ADPE lease cost equals or exceeds the thresholds specified in 15–205.48(b)(2)(iii), data in support of the initial decision to lease, under (b)(1) above, shall be furnished in accordance with 3–1100.3. If the total cost of leasing ADPE in a single plant, division, or cost center exceeds $500,000 per year, and 50% or more of the total leasing cost is allocated to Government contracts requiring the negotiation or determination of costs, data in support of the annual justification, under (b)(2) above, for retention or change of existing ADPE capability and the need to continue leasing that capability shall also be furnished in accordance with 3–1100.3.

15–205.49 *Deferred Research and Development Costs* (CWAS-NA). As used herein, research and development refers to the type of technical effort which is described in 15–205.35(a) but which is sponsored by, or required in performance of, a contract or grant. Research and development costs (including amounts capitalized) which were incurred prior to the award of a particular contract are unallowable except when allowable as precontract costs (see 15–205.30). In addition, when costs are incurred in excess of either the price of a contract or amount of a grant for research and development effort, such excess may not be allocated as a cost to any other Government contract (see 15–205.19).

15–205.50 *Facilities Capital Cost of Money* (CWAS-NA).

(a) Facilities capital cost of money (Cost of Capital Committed to Facilities) is an imputed cost determined by applying a cost of money rate to facilities capital employed in support of Defense contracts. A cost of money rate is derived from a common source and uniformly imputed to all contractors. Capital employed is determined without regard to its source as between equity or borrowed capital. The resulting cost of money is an imputed cost and is not a form of interest on borrowings as discussed in 15–205.17.

(b) Facilities capital cost of money is allowable cost *provided* (i) the contractor's capital investment is measured, allocated to contracts, and costed in accordance with 3–1300, and (ii) the contractor maintains adequate records to demonstrate compliance with item (i).

(c) Cost of money for facilities capital need not be entered on the company's books of account. However, a memorandum entry of the cost shall be made. All relevant schedules, cost data and other data necessary to fully support the entry shall be maintained in a manner to permit audit and verification.

(d) Cost of money which is calculated, allocated and documented in accordance with these regulations shall be deemed an "incurred cost" for cost reimbursement purposes pursuant to the payment provisions of applicable cost type contracts. See E–509.5 re: applicability of cost of money for progress payment purposes under fixed-price contracts.

15–205.51 *Lobbying Costs.*

(a) For the purpose of this section, lobbying is defined as any activity or communication which is intended or designed to directly influence or to engage in any campaign to encourage others to influence members of the Congress, their staffs, or the staffs of committees of the Congress to favor or oppose legislation, appropriations or other actions of the Congress, its members, or its committees, for the procurement of specific supplies or services by the federal government. Except as provided in (c) below, lobbying activity includes, but is not limited to, all forms of communications by the contractor, its employees, or its agents with the Congress, its members, and staffs of members and committees for the above-mentioned purpose.

(b) The costs of lobbying as defined herein, including the applicable portion of the salaries of the contractor's employees and the fees of individuals or firms engaged in lobbying, on behalf of the contractor (whether or not the

individuals or firms are registered as lobbyists under any applicable law) are unallowable. In addition, the directly associated costs (see 15-201.6) of lobbying are unallowable.

(c) Legislative liaison activities, such as attendance at committee hearings, gathering information regarding pending legislation, analysis of the effect of pending legislation, and the like are not lobbying and are allowable. In addition, communications that would be considered lobbying in accordance with (a) above shall be allowable if they are performed after receipt of an invitation or request from a congressional or executive branch source.

15-206 Notice of Intent to Disallow or Not Recognize Costs.

(a) *Purpose.* The clause entitled "*Notice of Intent to Disallow or Not Recognize Costs*" is a required clause for all cost-type contracts and fixed-price incentive contracts and contracts providing for price redetermination (*see 7-203.35*). A Notice of Intent to Disallow or Not Recognize Costs provides the basis under a contract for the contractor to appeal, prior to final settlement of costs of the contract, a determination of exception to costs either incurred or to be incurred. It thereby provides a vehicle for disputes to be settled in a more timely fashion.

(b) At any time during the performance of the contract, the cognizant contracting officer may issue a Notice of Intent to Disallow or Not Recognize Costs stating his intent to take exception to specific costs or portions thereof, under the contract. Usually, the decision to issue a Notice of Intent to Disallow or Not Recognize Costs results from activities performed through monitorship of contractors' cost (*see Section XX, Part 10*), or on advice of auditors or technical personnel. Also, the decision to issue a Notice of Intent to Disallow or Not Recognize Costs shall only be made after discussion between the contracting officer and the contractor. The notice should be specific as to the type of cost to which exception is taken, the amount of such exception (if applicable), reasons for exception, applicable time period of the exception, and should reference the Notice of Intent to Disallow or Not Recognize Costs clause of the contract. When such notification involves elements of indirect costs, the approval of the contracting officer haveing authority for final settlement of overhead shall be obtained prior to issuance of of the notice except that a Corporate Administrative Contracting Officer (CACO) need not obtain the approval of local cognizant ACOs for items of corporate exepnse. When the Notice of Intent to Disallow Not Recognize Costs is issued, the originating contracting officer (CACO or ACO) will distribute information copies to all administrative contracting officers cognizant of that corporation. The notice will allow the contractor sixty days in which to contest the exception in writing and provide justification why the proposed expediture is justifiable and reasonable. The ACO will then consider the contractor's position and shall within sixty days either modify his original position or issue a decision in writing under the Disputes clause of the contract. When elements of indirect cost are involved, such decision will be rendered by the contacting officer with authority for final overhead settlement (*see 3-700*).

(c) As a minimum the Notice of Intent to Dissallow or Not Recognize Costs should contain the following information:

(i) contractor identification;
(ii) contract(s) affected;
(iii) description of cost exception(s);
(iv) estimated doliar value by item;
(v) reason(s) for the exception;
(vi) applicable time period(s) involved;
(vii) potential impact on billing rates and FPRAs;
(viii) effective date of notice;
(ix) provision for acknowledgment of receipt;
(x) date when formal reply must be received; and
(xi) recipients of copies of notice.

Block No.	*Title and/or Instructions*
10	For those awards utilizing an Accounting Classification Reference Number (ACRN) pursuant to ASPR 20-308.1, indicate the impact of the modification on each affected accounting classification by inserting one of the following entries: *ACRN: accounting classification* *Net increase $ ..... .* *ACRN: accounting classification* *Net decrease $ ..... .* **NOTE:** Should changes to multiple ACRN's occur on a modification which cannot be placed in Block 10, an asterisk and the words "*See Continuation Sheet*" should be inserted.
12	Amendments or modifications shall be set forth under appropriate UCF section headings from the applicable solicitation or contract document. A UCF table of contents shall not be set forth. Indicate the impact of the modification on the overall total contract price by inserting one of the following entries: *Total contract price increased by $..... .* *Total contract price decreased by $..... .* *Total contract price unchanged.*
13	If the modification is a Change Order (11(a)) or Administrative Change (11(b)), the first box in this block shall be checked, and the contractor's signature will not be required. If the modification is a Supplemental Agreement (11(c)), contractor's signature will be required, the second box shall be checked and the number of copies to be returned to issuing office shall be inserted, but see 1-706.6(d)(3), 1-706.7(e)(3), and 1-804.2(c)(3) when the form is being used for acceptance of an offer for a set-aside portion of a procurement.
17	Contracting Officer's signature is not required when amending a solicitation.

16-104.5 *Request for Quotations* (*Standard Form 18*). Instructions for block entries are as follows (applicable only when UCF is used):

Block No.	*Title and/or Instructions*
11-16	The UCF table of contents set forth in 2-201(a) and 3-501(b) with the applicable sections checked, shall be set forth immediately below Block 10 so as to replace the word "Schedule" and replace Blocks 11 through 16, including the headings. Section entries may commence immediately below the Table of Contents or they may commence on the first Continuation Sheet (Standard Form 36). In either event, all provisions shall be located under applicable UCF section headings.

Part 2—Additional Forms for Negotiated Contracts

16-200 Scope of Part. This Part describes additional forms for use where appropriate in conjunction with negotiated contracts for supplies or services.

16-201 Reserved.

16-202 Reserved.

16-203 Reserved.

16-204 Reserved.

16-205 General Provisions—Fixed-Price Supply Contracts (Standard Form 32).* Any negotiated contract to which Section VII, Part 1, is applicable will include Standard Form 32. The addition of other clauses set forth in Section VII, Part 1, or of other clauses not inconsistent with DAR, shall be accomplished by including such clauses as "Additional General Provisions" numbered consecutively. The deletion or modification of clauses contained in the "Additional General Provisions" shall be accomplished by appropriate reference or provision in an Alterations in Contract clause. These instructions must be read in conjunction with Section VII, Part 1, to make certain that current clauses are in use at all times.

*For DAR clause substitutions on Standard Form 32, Apr. 1975 edition, and Standard Form 33A, Jan. 1978 edition, see 16-101.

16-206 Contract Pricing Proposal Forms.

16-206.1 General.

(a) The DD Form 633 shall be used, except for negotiated final overhead rates and termination settlements, whenever cost or pricing data (see 3-807.7) is required. The data requirement, in 3-807 and 7-104.42, is in connection with the pricing of contracts, subcontracts (including prospective subcontracts), and changes or modifications to contracts or subcontracts. In accordance with the provisions of 3-807.7(b), the DD Form 633-7 shall be submitted whenever exemption from such cost or pricing data requirements is claimed for contracts or subcontracts by reason of established catalog or market prices (see 3-807.7(b)) or prices set by law or regulation.

(b) The purpose of DD Form 633 is to provide a vehicle whereby the offeror submits to the Government a pricing proposal of estimates and/or incurred costs by contract line item with supporting information, adequately cross-referenced, suitable for detailed analysis. Supporting cost element breakdowns must be obtained for each proposed line item. When more than one contract line item is proposed, summary total amounts, by cost element, covering all proposed line items, should also be obtained.

(c) When Contract Cost Data Reports are required by the purchase request, the contractor shall be required to submit DD Forms 1921 and/or 1921-1 to support the DD Form 633. The DD Forms 1921 shall be prepared in accordance with the Contractor Cost Data Reporting (CCDR) System (Army - AMCP 715-8, Navy - NAVMAT P5241, and Air Force - AFLCP/AFSCP 800-15). The contractor supporting data shall be prepared in such a manner as to support each cost element on the DD Form 1921-1.

(d) DD Form 783 (Royalty Report (Foreign and Domestic)) is approved for use as the separate schedule required by DD Form 633.

16-206.2 *Contract Pricing Proposal Supporting Schedules* may be devised by contracting offices to require such supporting data to the foregoing forms as is considered necessary and reasonable through knowledge of industry, company or commodity practices.

16-207 Reserved.

16-208 Weighted Guidelines Profit/Fee Objective (DD Form 1547).

16-208.1 *General.* Weighted Guidelines Profit/Fee Objective (DD Form 1547) is to be used, as appropriate, to facilitate calculation of the Weighted Guidelines Profit/Fee Objective (see 3-808.2).

16-208.2 *Conditions for Use.* DD Form 1547 may be used in conjunction with the Record of Price Negotiation required by 3-811(b), *provided* that the rationale used in assigning the various rates is fully documented.

Part 3—Purchase and Delivery Order Forms

16-300 Scope of Part. This Part prescribes forms for use (i) when purchases are authorized or required to be made by the purchase order or imprest fund method, (ii) as delivery orders, and (iii) as order against basic ordering agreements.

16-301 Receipt for Cash—Subvoucher (Standard Form 1165). Standard Form 1165 may be used in connection with procurements by the imprest fund (petty cash) method in accordance with 3-607.

16-302 Purchase Order — Invoice — Voucher (Standard Form 44). Standard Form 44 is authorized for use to accomplish small purchases in accordance with 3-608.9.

16-303 Order for Supplies or Services/Request for Quotations, (DD Forms 1155, 1155r, 1155r-1, and 1155c-1). Order for Supplies or Services/Request for Quotations, DD Form 1155 series, shall be used to accomplish small purchases in accordance with 3-608 and 16-402 and Blanket Purchase Agreements in accordance with 3-605, and may be used to place calls against Blanket Purchase Agreements in accordance with 3-605.5 and orders against basic ordering agreements in accordance with 3-410.2(a). Pending revision of the 1 MAR 1978 edition of DD Form 1155r, the *Fast Payment Procedure* clause in 7-104.84 shall be substituted for paragraph 15 of the form.

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Part 4—Construction and Architect-Engineer Forms and Formats

16–400 Scope of Part. This Part prescribes forms and formats for use in construction and architect-engineer contracts and for dismantling, demolition and removal contracts.

16–401 Advertised Construction Contract Forms.

16–401.1 *General.* The following forms are prescribed for use in formally advertised construction contracts where the work is to be performed in the United States, its possessions, or Puerto Rico:

(i) Standard Form 19—Invitation, Bid and Award (Construction, Alteration or Repair). Pending revision of the July 1973 edition, the following provision shall be substituted for paragraph 6 of Standard Form 19:

> **PAYMENTS TO CONTRACTOR (1976 OCT)**
>
> Progress payments equal to the value of the work performed may be made monthly or at more frequent intervals as determined by the Contracting Officer on estimates approved by him. Upon payment therefor, title to the property shall vest in the Government, but this provision shall not be construed as relieving the Contractor from the sole responsibility for all material and work upon which payments have been made. The Contractor will notify the Government when all work is complete. Final payment will be made after final acceptance.
>
> **(End of provision)**

The Convict Labor clause in 7–104.17 shall be substituted for paragraph 10, and the following paragraphs shall be deleted:

13 Examination of Records by Comptroller General,

14 Utilization of Small Business Concerns, and

15 Utilization of Minority Business Enterprises.

(ii) Standard Form 19–A—Labor Standards Provisions—Applicable to Contracts in excess of $2,000. (For construction contracts in excess of $2,000 for work in U.S. possessions and Puerto Rico, see 18–703.2.) The following revisions shall be made in the November 1972 edition on the form:

the Davis-Bacon Act clause in 7–602.23(a)(i) shall be substituted for paragraph 1;

the Apprentices and Trainees clause in 7–602.23(a)(iii) shall be substituted for paragraph 3;

the Payrolls and Basic Records clause in 7–602.23(a)(iv) shall be substituted for paragraph 4; and

the Withholding of Funds clause in 7–602.23(a)(vi) shall be substituted for paragraph 6.

(iii) Standard Form 19–B—Representations and Certifications (Construction and Architect-Engineer Contract).

(iv) Standard Form 20—Invitation for Bids (Construction Contract).

(v) Standard Form 21—Bid Form (Construction Contract).

(vi) Standard Form 22—Instructions to Bidders (Construction Contract). The Late Bids provision in 7–2002.2 shall be substituted for paragraphs 7 and 8 of Standard Form 22.

(vii) Standard Form 23—Construction Contract.

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(viii) Standard Form 23–A—General Provisions (Construction Contract). The following revisions shall be made in the April 1975 edition of the form:

the Payments to Contractor clause in 7–602.7 shall be substituted for paragraph 7;

the Shop Drawings clause in 7–602.54 shall be substituted for paragraph 15;

the Convict Labor clause in 7–104.17 shall be substituted for paragraph 28;

the Buy American Act clause in 7–602.20 shall be substituted for paragraph 24; and

the appropriate Federal, State and Local Taxes clause in 7–103.10 shall be substituted for paragraph 31.

(ix) Standard Form 30—Amendment of Solicitation / Modification of Contract. (The use of this form is optional for amendment of a solicitation.)

(x) *Continuation Sheet.* There is no prescribed form of Continuation Sheet for construction contracts. A blank sheet, incorporating (A) the contract or invitation number, as appropriate; (B) page number and number of pages; and (C) name of bidder or contractor may be used for this purpose. Standard Form 36, Continuation Sheet (Supply Contract), shall not be used for construction contracts.

16–401.2 *Conditions for Use.*

(a) *Contracts Estimated Not To Exceed $2,000.* Standard Forms 19 (see 16–401.3(c), (d) and (f)), and 19–B shall be used for those contracts executed as a result of formal advertising. Standard Form 22 also may be used. Where it is indicated that the low bid may exceed $2,000, Standard Form 19–A, as modified in 16–401.1(ii), should be attached, the specifications should include the appropriate wage rate determination.

When Standard Form 19 is used, progress payments may be made if the period of performance is greater than one month. However, if the period of performance is less than one month or the total contract amount does not warrant progress payments, a single payment may be made, in which case the contracting officer may indicate completion and final acceptance of the contract work by a stamped and signed statement to that effect on the face of the standard form and forwarding it to the disbursing officer for payment. The following statement may be used for this purpose:

> I certify that the work and services furnished hereunder have been completed, inspected, accepted as conforming to the contract requirements, and the amount is correct and proper for payment.
>
> .....
>
> *Signature and Title of Certifying Officer*

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(b) *Contracts Estimated To Exceed $2,000 But Not To Exceed $10,000.* Standard Forms 19 (see 16-401.3(c), (d) and (f)), 19-A, as modified in 16-401.1(ii), and 19-B may be used for these construction contracts executed as a result of formal advertising. Standard Form 22 also may be used. In the alternative, the forms prescribed in (c) below may be used. The additional language set forth in (a) above shall be inserted in the bid portion of Standard Form 19 prior to issuance of the invitation. If the successful bid exceeds $10,000, the contract may be executed on the Standard Form 19 but it will be necessary to add the clauses in:

7-103.10(a) (*Federal, State, and Local Taxes*),
7-103.18(a) (*Equal Opportunity*) unless exempted by 12-805,
7-104.14(a) (*Utilization of Small Business Concerns*),
7-104.15 (*Examination of Records by Comptroller General*), and
7-104.36(a) (*Utilization of Minority Business Enterprises*).

A statement to this effect should be included in the invitation; see 2-201(b)(xlvi). If there are factors which create a good possibility that the successful bid will exceed $10,000, a contracting officer should use the forms prescribed in (c) below for contracts estimated to exceed $10,000.

(c) *Contracts Estimated To Exceed $10,000.* Standard Forms 19-A, 19-B, 20, 21, 22, 23, and 23-A shall be used for these construction contracts executed as a result of formal advertising. Strict compliance with the following instructions is required.

(i) *Standard Form 19-A.* This form, as modified in 16-401.1(ii), shall be attached to the contract file. **Caution** This form consists of labor standards provisions and shall not be incorporated by reference.

(ii) *Standard Form 19-B.* This form shall be completed by the bidder and shall be attached to the contract file.

(iii) *Standard Form 20 (Invitation for Bids).* Bidders shall be requested to return not more than two signed copies of their bids. This form shall be completed by inserting the appropriate data on the face of the form. See 18-202 and the following:

(1) *Information Regarding Bidding Material, Bid Guarantee and Bonds.* Insert the following paragraphs on the face of the form for contracts expected to exceed $25,000:

(A) *Bid Bonds.* Each bidder shall submit with his bid a Bid Bond (Standard Form 24) with good and sufficient surety or sureties acceptable to the Government, or other security as provided in paragraph 4 of Instructions to Bidders (Standard Form 22) in the form of twenty per cent (20%) of the bid price or $3,000,000 whichever is lesser. The bid bond penalty may be expressed in terms of a percentage of the bid price or may be expressed in dollars and cents.

(B) *Performance and Payment Bonds.* Within ..... days after the prescribed forms are presented to the bidder to whom award is made for signature, a written contract on the form prescribed by the specifications shall be executed and two bonds, each with good and sufficient surety or sureties acceptable to the Government, furnished; namely a Performance Bond (Standard Form 25) and a Payment Bond (Standard Form 25-A). The penal sums of such bonds will be as follows:

I. *Performance Bond.* The penal sum of the performance bond shall equal ..... per cent (.....%) of the contract price. (Insert the appropriate per cent determined in accordance with the provisions of 10-103.1(a)).

II. *Payment Bond.*

a When the contract price is $1,000,000 or less, the penal sum will be fifty per cent (50%) of the contract price.

b When the contract price is in excess of $1,000,000 but not more than $5,000,000, the penal sum shall be forty per cent (40%) of the contract price.

c When the contract price is more than $5,000,000, the penal sum shall be $2,500,000.

Any bonds furnished will be furnished by the contractor to the Government prior to commencement of contract performance.

(2) *Additional Information for Bidders.*

(A) Additional information and instructions may be given to bidders by using the reverse side of Standard Form 20 or continuation sheets. If used, the reverse side of Standard Form 20, and each continuation sheet used, shall be headed:

READ THE FOLLOWING IN CONJUNCTION WITH THE INSTRUCTIONS TO BIDDERS, STANDARD FORM 22.

(B) When required by the instructions pertaining to the various paragraphs or by the procuring activity, a paragraph shall be inserted advising prospective bidders where complete drawings and specifications may be examined or copies obtained, information as to the charge, if any, to be made for the drawings and specifications, and the conditions under which they may be obtained. If a charge is made for the drawings and specifications, the following sentences shall be included: "Payment will be made by cash or check, or money order and delivered to the Finance and Accounting Officer, ... Checks and money orders should be made payable to the office designated for contract administration."

(C) Paragraph 10 of Standard Form 22, Instructions to Bidders reserves in the Government the right to accept any item or combination of items of a bid, unless precluded by the invitation for bids or the bidder includes in his bid a restrictive limitation. However, in unit price contracts, although the work is set out in "items" for pay purposes, the nature of the work is not normally such that multiple awards can be made on the basis of such items. Accordingly, for purposes of award, the work should be set up on a basis of schedules, each schedule comprised of a group of items

18–308 Audit as a Pricing Aid. See 3–809.
18–309 Record of Price Negotiations. See 3–811.

Part 4—Architect-Engineer Selection Procedures

18–401 Scope of Part. This Part contains the general principles and procedures for the selection of architect-engineer firms for contracts for professional services, except for such services performed in connection with Army Civil Works projects. Discussion of specific areas affecting such services will be found under the paragraphs of this Section dealing with those areas.

18–402 Selection.

18–402.1 *Selection Policy.* As provided by Section 902 of Public Law 92–582, approved October 27, 1972, it is the policy of the Federal Government to publicly announce all requirements for architect-engineer services, and to negotiate contracts for such services on the basis of demonstrated competence and qualification for the type of professional services required and at fair and reasonable prices. The selection of architect-engineer firms for professional services contracts shall be accomplished in accordance with the procedures set forth in this part. Such selection shall not be based upon competitive bidding procedures, but rather upon the professional qualifications necessary for the satisfactory performance of the services required, subject to the following additional considerations:

(i) specialized experience of the firm in the type of work required;
(ii) capacity of the firm to accomplish the work in the required time;
(iii) past experience, if any, of the firm with respect to performance on Department of Defense contracts;
(iv) location of the firm in the general geographical area of the project, provided that there is an appropriate number of qualified firms therein for consideration; and
(v) volume of work previously awarded to the firm by the Department of Defense, with the object of effecting an equitable distribution of Department of Defense architect-engineer contracts among qualified architect-engineer firms including small and small disadvantaged business firms and firms that have not had prior Department of Defense contracts.

18–402.2 *Selection Procedures.* The procedures listed below shall be used in the selection of architect-engineer firms for all architect-engineer contracts to be awarded in the United States and, to the extent practicable, in the rest of the world.

(a) All selection actions, including preselection, shall be under the cognizance of the construction activity responsible for the work.

(b) For contracts estimated to cost more than $2,500, criteria which will be used to evaluate the qualifications of the architect-engineer firms to be considered should be established in advance. In addition to the general considerations listed in 18–402.1, the criteria should be specific as to desired qualifications, size and expertise of staff, required past experience, and, as appropriate, esthetic considerations, special conceptual or design elements, and related factors. The information contained in the DD Form 1391 for the construction project, if applicable, should be used in preparing the criteria.

(c) Prior to any preselection or selection action, the cognizant construction activity shall assure that public announcement has been made in accordance with 1–1003.4(b)(2). The criteria established in accordance with (b) above shall be set forth in such announcement, in accordance with 1–1003.9(h).

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period. A transit credit represents the transportation cost for a recorded tonnage from an initial shipping point to an intermediate destination (*e.g.*, bidder's plant or shipping point) for storage, processing or other purpose. Upon reshipment to the Government destination, the remaining freight cost between the contractor's initial point and the destination points in the schedule may be lower than the cost of treating the tonnage as a new shipment. Actual lower costs which can be realized by the Government through utilization of such transit credits shall be used in bid evaluation. Even though there may be Government acceptance at origin, shipments to which transit credits apply will be required to be made on prepaid commercial bills of lading, *provided* that this does not preclude a proper change in delivery terms pursuant to the Changes clause. Normally, when transit credits apply, the contract, although f.o.b. origin, will require the contractor to pay the transportation charges on shipments to which the transit credits apply subject to reimbursement by the Government (total freight costs from bidder's original source for the supplies, via his plant to the Government destination, less the amount previously paid for transportation to his plant, plus the usual transit privilege charge). Such shipments move for the account of and at the risk of the Government, and become Government property upon Government acceptance at origin. The contractor shall show the transportation and transit charges as a separate amount on the invoice for each individual transited shipment. The amount reimbursed by the Government shall not exceed the amount quoted in the bid (offer and used for evaluation). Each such invoice shall be supported by the carrier's receipt indicating that total freight charges have been or will be paid by the contractor. When supplies are of such nature, or it is the custom of the trade that bidders may have potential transit credits available, the "*Transportation Transit Privilege Credits*" provision in 7–2003.18 shall be included in the solicitation.

19–207 Mode of Transportation. Generally, solicitations shall not specify a particular method or mode of transportation or a particular carrier for delivery of supplies. When special types of transportation equipment or limited facilities for delivery and receipt of supplies at destination permit the use of only one mode of transportation, such special delivery requirements may, after referral to the appropriate transportation office, be the basis for:

(i) controlling the method or mode of transportation by specifying only f.o.b. origin as the place of delivery, or

(ii) specifying the special delivery requirements in f.o.b. destination procurements (see 19–211).

19–208 Solicitation Provisions Covering FOB Point.

19–208.1 *General.*

(a) Solicitations in which bids or offers may be submitted both f.o.b. origin or f.o.b. destination in accordance with 19–104.2(b), shall include so much of the information required by 19–208.2, 19–208.3 and 19–211 as is pertinent to the particular procurement. They shall provide that bids or proposals may be submitted on either or both bases and they will be evaluated on the basis of the lowest overall cost to the Government.

(b) The "*Evaluation of Export Bids (or Proposals)*" provision in 7–2003.20 shall be included in the solicitation when the supplies are to be purchased in accordance with 19–213.1 for ultimate delivery to known destinations outside the United States, and it has been determined that other ports, in addition to a primary port, can be used.

19–208.2 *FOB Origin.*

(a) Whenever the supplies will or may be delivered f.o.b. origin, the clauses in 7–104.70 and 7–104.85 shall be included in the contract. Generally, solicitations for supplies which will or may be purchased f.o.b. origin shall provide for delivery in carload or truckload lots (see 19–209) f.o.b. carrier's equipment, wharf, or freight station (as specified by the Government), at a city or shipping point to be specified by the bidder or offeror. This will enable the military traffic management offices, when issuing routing instructions, to select the mode of transportation which will provide the required service at the lowest overall cost. When f.o.b. origin bids (offers) only are desired, the solicitation shall specify that any bids (offers) submitted on any other basis shall be rejected as nonresponsive.

(b) Solicitations which include the clause in 7–104.70 may include the "*F.O.B. Origin (With Differentials)*" provision in 7–2003.19 when it is believed that a prospective contractor is likely to include in his f.o.b. origin price a contingency to compensate for what may be for him an unfavorable routing condition which the Government has the option to specify at the time of shipment. Such routing condition (*e.g.*, delivery to rail car, wharf, etc.) due to the location of the prospective contractor's plant, lack of rail siding, etc., impose on him a substantial expense above his "at plant" or "commercial shipping point" price. Accordingly, the provision in 7–2003.19 is intended to permit prospective contractors to state in bids or offers a reimbursable differential which represents their cost of bringing the supplies to any f.o.b. origin place of delivery specified at the time of shipment by the Government. The provision is appropriate if:

(i) the loading nature of the supplies, such as wheeled vehicles, and/or the different methods of shipment specified by the Government; *i.e.*, towaway, driveaway, tri-level vehicle, rail car, etc., may increase the contractor's cost in varying amounts for bringing the supplies to, or loading and bracing the supplies at, the specified place of delivery;

(ii) the contractor's f.o.b. origin shipping point is a port city served by United States inland, coastwise or intercoastal water transportation, and additional costs would be incurred by the contractor to make delivery f.o.b. a wharf in such city to accommodate water routing specified by the Government; or

(iii) the contractor's plant does not have a private rail siding and to ship by Government specified rail routing, the contractor would be required to deliver the supplies to a public siding or freight terminal, and to load, brace, and install dunnage in rail cars.

(c) Land methods of transportation by regulated common carrier are the normal means of transportation used by the Government between points in the continental United States. Accordingly, the "*Evaluation—F.O.B. Origin*" provision in 7–2003.23 shall be included in f.o.b. origin solicitation to establish the means the Government will use in applying transportation costs for evaluation. However, when it is appropriate to use other methods of transportation in evaluating bids or proposals, *e.g.*, air, pipeline, seavan container, or barge and ocean tanker for bulk commodities, the provision may be modified accordingly.

19–208.3 *FOB Destination.*

(a) When the supplies will or may be purchased f.o.b. destination (see 19–104.2(d)), the clause in 7–104.71 shall be included in the contract. When only f.o.b. destination bids or proposals are desired, the solicitation shall specify that bids or offers submitted on a basis other than f.o.b. destination will be rejected as nonresponsive. When the supplies will or may be purchased f.o.b. destination and inspection and acceptance will be at origin, the contract shall also include the clause in 7–104.76.

(b) When procurement is on an f.o.b. destination basis, special care shall be taken to observe the requirements of 14–305.3 as to place of inspection; also see 14–306 and 14–307 as to place of acceptance.

19–208.4 *Destination Unknown.*

(a) When the exact destination of the supplies to be purchased is not known, but the general location of the expected users can be reasonably established, the purchase request shall designate a place or places as the tentative point(s) to which transportation costs will be computed, stating estimated quantities for each tentative destination. The solicitation shall provide that bids or proposals shall be submitted f.o.b. origin only (see 19–104.2(c)(1)(ii)) and that shipment shall be made on Government bills of lading. The clause contained in 7–104.70 and the "*Destination Unknown*" and the "*F.O.B. Origin — Carload and Truckload Shipments*" provisions in 7–2003.24(a) and (b) shall be included to:

(i) establish that destinations are tentative and only for the purpose of evaluating bids or proposals;

(ii) establish that bids (offers) will be solicited on basis of f.o.b. origin only; and

(iii) control subsequent shipping weights.

(b) When the purchasing office and the requesting activity determine that it is impracticable to estimate any tentative or general delivery points for the purpose of evaluating transportation costs, proposals shall be solicited f.o.b. origin only (see 19–104.2(c)(1)(ii)) and evaluation will be made without regard for transportation costs. In such cases, insert the provision in 7–2003.70 in the solicitation.

The contract file shall be documented with justification for such solicitation provision and this paragraph shall be cited. The clauses in 7–104.70 and 7–104.72 shall be included in the contract.

19–209 Required Shipping Weights. Solicitations which may result in f.o.b. origin contracts shall include the "*F.O.B. Origin — Carload and truckload Shipments*" provision in 7–2003.24(b). This will provide agreement as to appropriate freight costs for evaluation of bids or proposals, and assure that contractors produce economical shipments of agreed size (see 19–208.2(a)).

19–210 Guaranteed Shipping Weights and Dimensions. When shipping weights and dimensions are required to evaluate offers as to transportation costs, the "*Guaranteed Maximum Shipping Weights and Dimensions*" provision in 7–2003.16 shall be included in the solicitation.

19–211 Transportation Responsibilities of Contractors.

(a) The clause in 7–104.73 shall be included in contracts for supplies which may be shipped in carload lots by rail. The clause specifies that carload shipments shall be loaded, blocked and braced by the contractor in accordance with standards published by the Association of American Railroads.

(b) If the nature of the supplies or safety, environmental, or transportability factors require special methods for securing the supplies on the carrier's equipment, or only a special mode of transportation or type vehicle is appropriate (see 19–103), the solicitation shall set forth such detailed methods.

19–212 Shipping Point(s) Used in Evaluation of FOB Origin Bids. The "*Shipping Point(s) Used in Evaluation of F.O.B. Origin Bids (Or Proposals)*" provision in 7–2003.24(c) shall be included in solicitations which may result in f.o.b. origin contracts to assure application of appropriate freight costs in evaluating bids or proposals. This provision should be supported by an additional provision as part of the solicitation, to require prospective contractors to specify the location of their actual shipping point(s) (street address, city, state, and zip code) from which supplies will be delivered to the Government in accordance with the contract's f.o.b. origin terms. To assure appropriate rail routing for shipments from or to the contractor's shipping point, each prospective contractor shall also be required to specify whether his shipping point has a private railroad siding and the name of the rail carrier serving it. When the shipping point does not have a private siding, the name and address of the nearest public rail siding and carrier serving it shall be specified.

19–213 Shipments to Ports.

19–213.1 *Solicitation/Contract Provisions.*

(a) When supplies are for known destinations outside the continental United States, the CONUS port of loading or point of exit (aerial or water) and the Water Port of Debarkation which serves the overseas destination shall be listed in the solicitation for transportation evaluation purposes.

(b) When a contract will not generate any shipment for which an Export Release is required (less than 10,000 lbs., etc.; see paragraph 202024 of the Military Traffic Management Regulation (AR 55–355, NAVSUP Pub 444, MCO 4600.14, DSAR 4500.3), hereafter referred to as MTMR), only the CONUS ports which serve the overseas destination shall be listed in the solicitation (see DoD Regulation 4500.32–R, Appendix G).

(c) Except for contracts to which (b) above applies, other CONUS ports which meet the eligibility criteria compatible with the nature and quantity of the supplies, their destination, type of carrier required, and specified overseas delivery dates also may be listed in the solicitation for evaluation purposes. This will permit bidders or offerors, who are geographically remote from the port which normally serves the overseas destination, to be competitive as far as transportation costs are concerned. Ports of loading to be included in the solicitation may be determined through coordination with the headquarters of the Military Traffic Management Command serving the area in which the purchasing office is located.

(d) Unless logistics requirements limit the ports of loading to those ports listed in the solicitation, the solicitation shall provide that the bidder or offeror may nominate additional ports (including ports in Alaska and Hawaii) more favorably located to his shipping point, and that these ports shall be considered in the evaluation of bids or proposals; *provided*, however, that these ports must possess all requisite capabilities of the listed ports in relation to the supplies being procured. Under these circumstances, the "*Evaluation of Export Bids (Or*

Part 3—Evaluation of Bids and Proposals

19–301 Transportation Rates and Related Costs To Be Used.

19–301.1 *General.*

(a) To afford proper analysis and consideration of transportation factors, the contracting officer shall consider transportation rates and related costs in the evaluation of f.o.b. origin bids and proposals. The best available transportation rates and related costs in effect or to become effective prior to the expected date of initial shipment and on file or published at the date of the bid opening, shall be used in the evaluation. However, when transportation rates and related costs which cover the traffic are filed or published after the bid opening or proposal due date and there were no applicable rates or costs in existence on that date, these rates and costs shall be so identified by the area headquarters of Military Traffic Management Command (MTMC) or the Military Sealift Command (see 19–301.2) and shall be used in the evaluation (see 16–822).

(b) When Government property is to be furnished and shipped by the Government under a contract to a point specified by the prospective supplier in his bid or proposal, transportation costs shall be a cost factor in the evaluation of bids, or proposals.

19–301.2 *Sources of Transportation Rates and Related Costs.*

(a) Land and air rates; inland, coastwise, and intercoastal water rates; ocean rates and costs, including seavan container rates and costs; port handling charges; and related information pertaining to supplies moving to or from either overseas points or points within the continental United States shall be obtained from the appropriate area headquarters of MTMC by the transportation or traffic management office which supports the contracting officer. However, rates and costs applicable to shipments of bulk petroleum via ocean tanker transportation should be obtained from the Military Sealift Command.

(b) Rates and related costs for all supplies to be shipped between points outside of the continental United States, including Alaska and Hawaii, shall be obtained from the Headquarters of the Military Service which sponsors the cargo. Requests should be directed as follows:

Army	Deputy Chief of Staff for Logistics, Department of the Army, ATTN: LOG/MM-SSB, Washington, D. C. 20310.
Navy	Naval Supply Systems Command, Code 05, Washington, D. C. 20390.
Air Force	Applicable overseas Air Force Command.
Marine Corps	Director, Transportation Division, HQ, U.S. Marine Corps, COS, Washington, D. C. 20380.

(c) Requests for rates and related costs for the evaluation of bids or proposals shall include the bid opening or proposal due date and the expected date of initial shipment, if established.

(d) The locations and geographical areas of jurisdiction of each area headquarters of the MTMC are listed in Chapter 108 of the MTMR.

Part 4—Contract Administration

19–401 Traffic Management for Contract Administration. The transportation office of the contract administration office shall have access to or be furnished a copy of the contract, including modifications thereto. When the transportation data regarding f.o.b. origin contracts are insufficient for Government transportation purposes (see 19–202), the contract administration office shall obtain the data used in the evaluation of the bid or proposal from the purchasing office. This will assure that instructions to contractors result in the most efficient and economical use of carrier services and equipment. Transportation personnel are responsible for:

(i) furnishing timely routings and releases for port shipments;
(ii) monitoring shipments to provide for carload or truckload quantities when practicable;
(iii) controlling and issuing Government bills of lading and determining proper freight classification descriptions;
(iv) reviewing documentation to assure the proper distribution and validation of shipping documents;
(v) advising as to the effect proposed changes will have on transportation costs;
(vi) determining, for the contract requirements, the size and capabilities of carrier's equipment to be ordered, based on the need for special shipping arrangements for oversize and overweight or dangerous supplies;
(vii) developing information and reporting movements that may be the basis for negotiating special rates for volume movements or for rate adjustments (see 19-402);
(viii) exercising control of irregularities in packing, loading, loss and damage causes, sealing of vehicles, and documentation of weights;
(ix) providing information on use of transit arrangements;
(x) recommending prepayment, when appropriate, by contractor for f.o.b. origin shipments or parcel post (see 19–403.2 and 19–403.3);
(xi) diverting, reconsigning, tracing, and expediting shipments;
(xii) functioning to control new shipping situations or meet emergency requirements which arise during contract administration; and
(xiii) considering the capabilities of the contractors for performing the foregoing and utilizing these capabilities when appropriate; and
(xiv) utilizing routings through established consolidation stations when it is in the best interest of the Government.

19–402 Volume Movements Within the Continental United States.

(a) Volume movement means the aggregate of one or more freight shipments to move during the contract period, amounting to or exceeding 25 carloads, 25 truckloads, or 500,000 pounds, from one point of origin for delivery to one destination point or area. On FMS shipments, the aggregate will be 200,000 pounds or more.

(b) As soon as production schedules and planned destinations have been established after award, the transportation office serving the purchasing office shall review contracts and report planned volume movement in accordance with

the Military Traffic Management Regulation (AR 55–355, NAVSUP Pub 444, AFM 75–2, MCO 4600.14, DSAR 4500.3). A copy of the volume movement report shall be forwarded to the contract administration office. On FMS shipments, include destination country, foreign freight forwarder and port of embarkation (if known).

(c) The transportation office serving the contract administration office will submit required volume movement reports (see 19–401 (vii)) when:

(i) upon review of contract it is determined that no volume movement report has been submitted by the purchasing office; or
(ii) movement requirements are refined or changed to such a degree that a revised volume movement report should be submitted.

(d) Reporting of volume movements will permit a determination of the reasonableness of applicable current rates, and when appropriate, negotiation of adjusted or modified rates, in accordance with the above regulation.

19–403 Shipping Documents Covering FOB Origin Shipments.

19–403.1 *Government Bills of Lading.* Except as provided in 19–403.2, when a contract provides that supplies be delivered f.o.b. origin, with transportation costs to be paid by the Government, shipments shall be made on Government bills of lading, or on other shipping documents prescribed by MTMC in the case of seavan containers, furnished to the contractor by the contract administration office. The contracting officer shall not authorize the contractor to ship on a commercial bill of lading for conversion to a Government bill of lading unless delivery is extremely urgent and Government bills of lading are not readily available (see 16–822 and 16–823).

19–403.2 *Use of Prepaid Commercial Bills of Lading.*

(a) When economical or otherwise justified, the contracting officer or his representative may authorize the contractor to make the following f.o.b. origin freight or express shipments (if they have no security classification) at Government expense on prepaid commercial bills of lading to domestic destinations, including United States military air terminals and water terminals:

(i) shipments not exceeding 150 pounds by any form of commercial air transportation (because of restrictions imposed by air carriers, a package weighing more than 100 pounds or measuring more than 44 x 24 x 30 inches should not be tendered to a commercial air carrier unless it is known that it will be accepted;
(ii) shipments not exceeding 250 pounds by railway express or bus express (because of restrictions imposed by bus express carriers, a package weighing more than 100 pounds or measuring more than 45 x 24 x 24 inches should not be tendered to the bus express carrier unless it is known that it will be accepted;
(iii) shipments not exceeding 1,000 pounds by other common carriers; or
(iv) shipments by common carriers, other than specified in (i) and (ii) above, which can be consolidated with the contractor's own prepaid shipments for delivery to one or more destinations; *provided* that, all appropriate f.o.b. origin shipments, under one or more Government

Part 5—Contract Administration Services for non-DoD Organizations

20–501 General. Contract administration services similar in nature to those being performed for Department of Defense organizations may be performed also for other organizations pursuant to the procedures in this part. These services include quality assurance, engineering support, production progressing, pre-award surveys, price/cost analysis, termination, property administration, plant clearance, industrial security, small business industrial labor relations, transportation, contractor payment, and equal employment opportunity contract compliance review. A more detailed listing of tasks involving most of the above services is contained in 1–406.

20–502 Procedures for Performance. Department of Defense procedures will be utilized in performing contract administration services for other than Department of Defense organizations except when otherwise agreed between such organizations and the Department of Defense. To keep the number of such agreements to a minimum, nondefense organizations should be encouraged to accept Department of Defense contract administration procedures.

20–503 United States Government Departments, Agencies and Corporations. Department of Defense contract administration services components shall, upon direct request, provide contract administration services to:

(i) the National Aeronautics and Space Administration in accordance with the DoD-NASA Agreement (DoDI 5030.42); and

(ii) other United States Government Departments and Agencies to the maximum extent permitted by available resources. Requests for services from U.S. Government agencies other than NASA may be declined on a case-by-case basis if resources are inadequate to accomplish delegated tasks, provided the decision is made by an official above the level of the contract administration office.

20–504 Department of National Defence Production (Canada). In accordance with Section VI, Part 5, Department of Defense components shall upon direct request, provide contract administration services to the Department of National Defence Production (Canada). Performance for other Canadian Government organizations shall be in accordance with 20–505.

20–505 Foreign Governments and International Agencies.

20–505.1 *Performance of Services in the United States.* Department of Defense contract administration services components shall, on receipt of requests from the DoD Central Control Point, provide contract administration services to foreign governments and international organizations who are making direct purchases from United States producers. "Direct purchase" is the purchase of defense supplies in the United States by a foreign government or contractor or international organization in which the supplies are purchased through commercial channels for use by the foreign government or international organization.

20–505.2 *Operations of DoD Central Control Point (CCP).* Requests from foreign governments and international organizations shall be forwarded to the Defense Control Administration Services Region (DCASR), New York, N.Y., which is the designated CCP. The CCP will:

(i) determine that the request is from a friendly foreign government or from an international agency in which the United States is a participant;

(ii) determine that the services requested are consistent with Department of Defense mutual security program policies (Questions as to eligibility of foreign governments or international organizations to receive services from DoD contract administration services components will be referred to the Assistant Secretary of Defense (International Security Affairs));

(iii) assure that the reimbursement arrangements are consistent with 20–506;

(iv) determine that the requested services can be provided, and acknowledge receipt of the request;

(v) distribute the procurement documents and related material to the cognizant contract administration services component, receive statements of costs from performing contract administration services components, bill the foreign governments or international organizations for services rendered, and distribute the remittance when received.

20–505.3 *Performance of Services Outside the United States.* When services are performed by Department of Defense contract administration services personnel outside the United States, the levels of technical capability and the administrative procedures, not already prescribed in existing laws or Department of Defense policies shall be in accordance with arrangements suitable and acceptable to the United States country teams or commanders of unified and specified commands, as appropriate.

20–506 Reimbursement. Reimbursement for services shall be required from non-DoD organizations covered by this part at the current standard rate determined by the Assistant Secretary of Defense (Comptroller). Although services will be performed for the Department of National Defence Production (Canada) on a non-reimbursable basis, normal charges shall be required for work performed for all other agencies of the Canadian Government. Services performed for contracts awarded by the Small Business Administration in accordance with 1–705.5 will be on a non-reimbursable basis. Requests for other exceptions to the above reimbursement policy shall be submitted to the ASD (Comptroller) for resolution or approval when it can be shown that such exceptions are in the best interests of the U.S. Government.

SERVICE CONTRACTS

ment cost as necessary when ordered by the Contracting Officer. Minor repair such as replacement of bolts, renailing and rebanding shall be accomplished at no expense to the Government.
Area .....

Est Annual Qty	Unit	Unit Price	Total
_____	ea piece	_____	_____

(*Repeat for additional areas as needed.*)

Items 25–28 Reserved (See 22–602(b).)

RECAPITULATION SCHEDULE II

Schedule Total—Area ..... $.....
(*Repeat for each area listed.*)

SCHEDULE III INTRA-CITY AND INTRA-AREA MOVERS

Item 29. *Complete Service for Intra-City and Intra-Area Moves.* Service shall include a premove survey, servicing of appliances, packing at owner's residence to protect household goods properly during transit, tagging of items, inventorying, loading, weighing, drayage, unloading, unpacking. and placing of each article in owner's residence (new) as directed by owner or his designated representative and removal of all empty containers and materials from residence. Service shall be in conformance with provisions of MIL-P-22084 (S&A), except that all service shall be performed within times stipulated in clause entitled "Time Requirements."
Area .....

Est Annual Qty	Unit	Unit Price	Total
_____	NCWT	_____	_____

(*Repeat for additional areas as needed.*)

Item 30. *Storage.* Storage of articles shall be furnished incident to services performed under *Item 29* when ordered by the Contracting Officer. Storage charges apply for each 30–day period or fraction thereof. Date of release from storage shall not be considered in computation of storage charges.
Area .....

Est Annual Qty	Unit	Unit Price	Total
_____	NCWT	_____	_____

(*Repeat for additional areas as needed.*)
(Insert when required)

RECAPITULATION SCHEDULE III

Schedule Total—Area ..... $.....
(*Repeat for each area listed.*)

SERVICE CONTRACTS

Part 7—Contracts for Laundry and Dry Cleaning Services

22–700 Scope of Part. This Part contains instructions for the preparation and use of contracts for laundry and dry cleaning services within the United States. It may be used as guidance in all other locations. Clauses for laundry and dry cleaning service contracts are set forth or referenced in Section VII, Part 14.

22–701 General Policy. Except for laundry and dry cleaning services acquired under small purchase procedures, the normal method of contracting for laundry and dry cleaning services shall be by formal advertising.

22–702 Selection of Count of Articles or Weight (unsorted or pre-sorted) Basis. Laundry services in support of hospitals may be acquired on the basis of (i) a count of articles or (ii) by bulk weight. Acquisitions by weight may be on either a pre-sorted (bag type) or unsorted (simple bulk weight) basis. The basis of acquisition shall be at the discretion of the requiring activity in conjunction with advice of the contracting officer based on consideration of such factors as price, administrative costs, aseptic requirements, risk of contamination/cross-contamination, volume and nature of articles to be serviced. All other laundry and dry cleaning services shall be acquired on a count of articles basis. Contracts on a count of articles basis shall include provisions substantially as set forth in 7-1401.5(a) and 7-1401.6(a). Contracts on a bulk weight basis shall include provisions substantially as set forth in 7-1401.5(b) (for bag type laundry), 7-1401.5(c) (for unsorted laundry), 7-1401.6(b), and 7-1401.7.

22–703 Solicitation Provisions. Solicitations for laundry and dry cleaning services shall include a provision similar to those set forth in 7-2003.60(a) for services to be provided on a count of articles basis and 7-2003.60(b) for services to be provided on a bulk weight basis.

22–704 *Schedule Format.* Set forth below are examples of schedule formats suitable for use in solicitations. The estimated quantities are only illustrative.

(a) Count of Articles.

Item No.	Item	Estimated Quantity for Contract Period	Unit	Unit Price	Estimated Amount
	LOT I				
	Laundering				
0001	Pillowcase (P)	100,000	each		
0002	Nurses Uniform, with belt (S) (P) (OH)*	25,000	each		
0003	Slippers	50,000	pair		
	LOT II				
	Dry Cleaning				
0004	Curtains	500	each		
0005	Trousers (P)	5,000	each		
	LOT III**				
	Individual Laundry				
0006	Individual bundle (26 piece)	1,000	each		
0007	Individual bundle (18 piece)	1,000	each		
***					

* (S)—Starched, (P)—Pressed, (OH)—Item delivered on hanger (hanger included in Unit Price), and ( ) Other instructions as required.

** Include in contracts containing the Individual Laundry clause in 7-1401.12.

*** See Section XX, Part 3, for Line Item Numbering Procedures.

(b) Bulk Weight (Unsorted).

Item No.	Item	Estimated Quantity of Serviced Laundry for Contract Period	Unit	Unit Price	Estimated Amount
0001	Laundry Services for the items listed below.*	100,000	lb.		

*The following articles are to be serviced. Separate prices are not to be submitted for these articles.

Towels, hand	40,000	lb.	NSP	
Sheets	40,000	lb.	NSP	
Wash Cloths	20,000	lb.	NSP	

(c) Bulk Weight (Bag Type).

Item No.	Item	Estimated Quantity of Serviced Laundry for Contract Period	Unit	Unit Price	Estimated Amount
0001	BAG TYPE I (Patient items: sheets, pillow cases.)	200,000	lb.		
0002	BAG TYPE II (Terry Type: Towels, wash cloths.)	100,000	lb.		
0003	BAG TYPE III (Surgical items: masks, caps, shirts.)	50,000	lb.		
0004	BAG TYPE IV CONTAMINATED (May include any or all items in above listed bag types.)	75,000	lb.		

(vi) the appropriateness of the type of subcontract used (see Section III, Part 4);
(vii) practices pertaining to small business, labor surplus area programs, and socio-economic programs (Section I, Parts 7 and 8);
(viii) the management of major subcontract programs;
(ix) compliance with the Cost Accounting Standards in awarding subcontracts (see Section III, Part 12);
(x) the evaluation of make-or-buy program (see Section III, Part 9); and
(xi) practices pertaining to subcontractor progress payments (Appendix E, Part 500).

(b) In reviewing the contractor's purchasing system, a determination shall be made as to whether subcontracting is done competitively to the maximum practicable extent. This requires ascertaining whether—

(i) a sufficient number of sources are solicited; and
(ii) subcontracting procedures provide other elements of adequate and effective price competition, including adequate descriptions of any factors to be evaluated and evaluation of all offers on a common basis.

(c) Decisions as to whether commercial items conform to the purpose and intent of the exemption from the requirement for a certificate of current cost and pricing data shall be analyzed.

23-104 Contractor Purchasing System Review Boards.

(a) When deemed necessary, Contractor Purchasing System Review Boards may be established in accordance with departmental procedures.

(b) If no board is to be convened, the report shall be forwarded directly to the ACO by the CPSR team captain.

(c) If it is determined that a review board is necessary, the report of the CPSR team shall be reviewed and evaluated by the board, which shall make appropriate recommendations to the ACO.

23-105 Granting, Continuing, Withholding, and Withdrawing Approval.

(a) The ACO is responsible for granting, continuing, withholding, or withdrawing approval of a contractor's purchasing system. The ACO shall approve a purchasing system only after a CPSR discloses that the contractor's purchasing policies and practices are efficient and provide adequate protection of the Government's interests. Approval of a system shall be withheld when there are major weaknesses or when the contractor is unable to provide sufficient information upon which an affirmative determination can be based. Conversely, approval shall not be withheld because of minor weaknesses. An approval may

be withdrawn at any time on the basis of a determination that there has been a deterioration of the contractor's purchasing system, or otherwise to protect the interests of the Government.

(b) The ACO should make an annual determination as to the approval status of a contractor's purchasing system except CWAS-qualified contractors, based on either a subsequent or surveillance review. However, it is not the intent of the Government, through no fault of the contractor, to unnecessarily interrupt continuance of a purchasing system approval. Therefore, the ACO may extend the approval of a contractor's purchasing system for an additional 90 days. Further extensions by the ACO will require written approval by the ACO's CPSR program management organization.

(c) The ACO shall give the contractor written notice granting, continuing, withholding, or withdrawing approval of his purchasing system. If the contractor's system is approved, the notification of approval shall be in substantially the following form:

TO: ..... (*Contractor*)

As a result of the ..... (*recent review or surveillance*) of your purchasing system at ..... (*identify the plant or plants involved*, you are advised of ..... (*insert "my approval" or "the continuation of the prior approval"*) of your purchasing system. This approval, effective ..... (*date*) is for a period of 1 year and applies to all of your contracts at the above plant or plants with the Department of Defense. This approval waives, to the extent provided in your contracts, the contractual requirements for prior consent by the Contracting Officer to the placement of certain subcontracts. In addition, it waives, to the extent provided in fixed-price contracts, the requirement for advance notification to the Contracting Officer of your intent to place certain subcontracts.

This approval does not eliminate the requirement under cost-reimbursement contracts for advance notification to the Contracting Officer of your intent to place proposed subcontracts where such notification is required, nor does it affect any contractual provisions that require prior consent to the placement of subcontracts, notwithstanding this approval of your purchasing system. (*If special*

and related recommendations; for followup, as necessary, to effect recommended improvements; and, when warranted by the findings, for rescinding approval of the contractor's purchasing system. The contractor must make available the necessary procedures and data to permit adequate surveillance.

(b) The surveillance plan shall encompass pertinent phases of the contractor's purchasing system *(Preaward/Postaward/Performance/Contract Completion)* and pertinent operations which impact the contractor's purchasing and subcontracting. As considered necessary, surveillance shall include:

(i) determination and limitation of requirements;
(ii) advance planning (market testing, source development, performance evaluations, program objectives, make-or-buy);
(iii) solicitation of proposals (development of solicitations, statement of work, specifications/drawings, facility surveys, financial analysis, preaward audits, terms and conditions, selection of contract type, establishing a competitive base, socio-economic consideration, bidders lists, presolicitation and indoctrination of potential bidders);
(iv) proposal evaluations (cost, technical, and management considerations);
(v) source selection (restrictive clauses, flowdown of prime contract provisions, compliance with Public Law 87-653 "Truth in Negotiations Act," compliance with Public Law 91-379 "Cost Accounting Standards," cost/price analysis/assist audits and cost studies, progress payments to subcontractors, changes in technical content of statement of work, fact finding and bidders conference);
(vi) provisioning, management influence and overriding consideration, documentation, compliance with 1-906 "Subcontractor Responsibility";
(vii) management approvals;
(viii) advance notification and consent requirements;
(ix) early definition (TWX and letter contracts);
(x) change control (timely and effective action);
(xi) engineering;
(xii) schedules;
(xiii) production;
(xiv) material control;
(xv) quality control and quality assurance;
(xvi) management reporting (advance payments, progress payments, cost performance, funding requirements, discounts, milestone and progress reports;

(xvii) management support (residencies, secondary administration, buyer control of commitments, buyer's role, subcontract management, subcontract modification, expediting, transportation, subcontractor system surveillance);
(xviii) contract completion (termination partial or complete, stopwork orders, default actions, excusable delays);
(xix) closeout actions;
(xx) postaward audits; and
(xxi) performance evaluation and reports (thorough review of all areas, including documentation for future business).

(c) The plan shall give appropriate consideration to the data furnished by the contractor when providing the required advance notification of intent to place certain subcontracts.

(d) Surveillance tests that require audit effort should be accomplished for the ACO by the contract auditor in conjunction with other audit duties.

(e) Certain subcontractors may require additional surveillance because of the emphasis in the flowdown of system acquisition policies in subcontracts, with particular concern for subcontractor cost, schedule, and technical performance. The contracting officer, the PSA, the review team, and/or subcontract management personnel may request assistance of the contract administration office having cognizance over the subcontractor to provide supplementary information as a means of verifying the information obtained from the contractor's records and, if needed, the request will call for a complete report on the subcontractor's purchasing system.

(f) Compatibility surveillance reviews shall be performed biennially at a CWAS-qualified contractor location to determine whether the purchasing techniques used for commercial and/or fixed-price competitive business are in compliance with statutory and contractual provisions. Major discrepancies should be brought to the attention of the contractor for corrective action. Failure to implement the ACO's recommendation applicable to major deficiencies should be considered as grounds for withdrawing approval of the contractor's purchasing system.

SECTION XXV

PRODUCTION SURVEILLANCE AND REPORTING

25–000 Scope of Section. This Section establishes the policies and procedures for production surveillance and production progress reporting.

25–001 Applicability. This Section applies to contracts for supplies and services, including research and development and overhaul and repair contracts. When a contract is retained for administration by the purchasing office (see 20–703), the contracting officer will determine the extent to which the Section applies. Facilities contracts (see Section XIII, Part 3) and construction contracts (see Section XVIII) are excluded from this Section.

25–002 General policies. It is the policy of the Department of Defense that the Government perform those production management functions necessary to provide the production or performance progress information required to protect the interests of the Government and fulfill the Government's contract obligations.

PRODUCTION SURVEILLANCE AND REPORTING

Part 1—Production Surveillance

25–101 Definitions.

25–101.1 *Production Surveillance* refers to that part of Government contract administration directed toward (i) determining the degree of progress made by a contractor in meeting his contract delivery or performance schedule and (ii) identifying factors which may delay delivery or performance. It includes, among other things, the review and analysis by the Government of a contractor's performance plans, schedules, controls and industrial processes.

25–101.2 *Criticality* refers to the degree of importance to the Government of supplies or services under contract.

25–101.3 *Delinquency* includes (i) actual failure by the contractor—that is, his failure, regardless of reason, to meet the contract delivery or performance schedule; and (ii) potential failure by the contractor—that is, his failure, regardless of reason, to maintain such progress in contract performance as is required to meet his contract delivery or performance schedule.

25–102 General. Timely delivery or performance ordinarily requires realistic and adequate planning and action on the part of the purchasing office, the contractor and the contract administration office. The purchasing office must determine the criticality of the supplies or services under contract. The contractor must translate contract requirements into orderly performance steps (*e.g.*, purchase of materials, fabrication of components, manufacture and assembly of end items, packaging and shipping). The contract administration office, on the other hand, must analyze and evaluate the contractor's plans and, in accordance with the designated criticality of the contract, determine the nature and extent of production surveillance required to provide performance progress information and assure timely progress or prevent or overcome any delinquency.

25–103 Assignment of Criticality Designator by Purchasing Office. Purchasing offices shall assign Criticality Designator A, B or C to each contract in accordance with the criteria given below and, if Designator A or B is assigned, shall include such designator on each contract in the space for designating the contract administration office. The assigned designator may be changed only by the purchasing office. The lowest designator consistent with the Government requirements shall be assigned. Ordinarily, unilateral purchase orders shall be assigned Criticality Designator C. This will permit the contract administration office to apply its resources most effectively toward meeting the Government's priorities.

Criticality Designator	*Criteria*
A	Contracts in one of the categories below: (i) for system and major systems acquisition programs as defined by DoDD 5000.1, Major System Acquisitions; (ii) which are DX rated; (iii) which are negotiated under Public Exigency (3-202);

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Criticality Designator	*Criteria*
A (cont.)	(iv) for items on which a priority designator 01, 02, 03 or 06 has been assigned based on DoDD 4410.5, Uniform Materiel Movement and Issue Priority System; or (v) for nonstocked items which otherwise meet the criteria for Force Activity Designator I and Urgency of Need Designator A as defined in DoDD 4410.6.
B	Contracts not assigned Criticality Designator A, wherein time of delivery is essential: (i) to meet user needs for nonstock items; (ii) to preclude out-of-stock situations; or (iii) to preclude interruption to ongoing Government or contractor production or repair lines.
C	All other contracts which do not qualify under Criticality Designators A or B.

DEFENSE CONTRACT FINANCING REGULATIONS

E-502.1 *Requests for Proposals.* Requests for proposals shall state that contract provision for progress payments will be made in conformity with regulations, and that the need for progress payments conforming to regulations will not be considered as a handicap or adverse factor in the award of contracts. Requests for proposals shall not state a liquidation rate for progress payments. See E-512.

E-503 Customary Progress Payments. Certain contracts may require contractor's predelivery or unbillable partial performance expenditures that will have a material impact on the contractor's working funds. These include production contracts which involve a long "lead time" or preparatory period between the beginning of work and the first production delivery, normally involving four months or more for small business concerns and six months or more for firms which are not small business concerns. They also include some contracts for research and development and some contracts for services which have a long time period, of approximately four months or more for small business concerns and six months or more for firms which are not small business concerns, between the beginning of work and the first opportunity to bill and receive payment for a significant element of contract performance. Progress payments are customary at (i) the uniform standard percentages of total costs (E-503.1, E-503.2) or flexible progress payment rates determined in accordance with E-530; (ii) the uniform cost base (E-509.5); (iii) the frequency of payment established in the progress payment clause (7-104.35); and (iv) the ordinary liquidation method (E-512.1) unless changed to the alternate method as provided in E-512.2 on this category of contracts and letter contracts contemplating a definitive fixed price type of contract. Length of lead time, or length of the time period within which billings for deliveries or for significant partial performance cannot be accomplished, are not a factor in qualifying letter contracts and their superseding definitive contracts for customary progress payments. Contract financing arrangements other than those set forth in this paragraph are regarded as unusual, and not within the category of customary progress payments (E-505).

The long lead time or preparatory period in these cases, and the accompanying predelivery or pre-partial performance billing expenditures that may have a material impact on the contractor's working funds, and the equivalent circumstances of letter contracts and their superseding definitive contracts, are regarded as making these customary progress payments reasonably necessary. The general preference for private financing is not applicable to this class of cases. Provision for customary progress payments will be made as a matter of course when requested by contractors who are known (from experience or adequate preaward investigation) to be reliable, competent, capable of satisfactory performance, in satisfactory financial condition, and to have an adequate accounting system and controls. In such cases, it is not necessary to require projections of cash receipts and expenditures or other demonstration of actual reasonable need for progress payments. However, in order to minimize administrative effort and expense, progress payments will be discouraged on relatively small contracts of the stronger and larger contractors who are not small business concerns, *e.g.*, contracts for less than $1,000,000, unless the circumstances of a group of such contracts, for contemporaneous performance, make such contracts the approximate

equivalent of a larger contract that would have a material impact on the contractor's working funds. If a small business concern, and the contract involved, meet the above standards for customary progress payments, the smallness of the contract shall not deter the making of provision for customary progress payments to such small business concerns.

E-503.1 ***Uniform Standard Percentages.*** The uniform standard progress payment rate is 90% of total costs for firms which are not small business concerns, and 95% for small business concerns, whether or not awarded by formal advertising. If flexible progress payment rates are not used, higher percentages will be regarded as unusual (E-505) and not within the category of customary progress payments. No percentage higher than the uniform standard progress payment may be offered in any solicitation unless approved in advance in accordance with E-505, or unless developed in accordance with flexible progress payment procedures (E-530).

E-503.2 ***Uniform Standard Percentages — Foreign Military Sales (FMS) Contracts.***

(a) Progress payments made on FMS contracts are subject to the same policies as normal DoD contracts.

(b) On FMS requirements, the Arms Export Control Act requires the deposit of FMS customer cash in advance of related payments to contractors. In order to comply with this requirement, all FMS contracts with progress payments must contain the billing procedures described below. For these purposes, the contractor shall allocate costs between customer countries in a manner acceptable to the Administrative Contracting Officer that does not incur undue administrative expense. If more than one customer country is covered by a contract, the contractor shall submit one DD Form 1195 with a supporting schedule showing the portions of the total requested payment to be attributed to each country's requirement.

(c) When submitting requests, the contractor shall annotate the DD Form 1195 as follows:

(i) the line item numbers to which the request applies;

(ii) Item 5 shall refer to the total price of the items to which the request applies;

(iii) references to "total costs" shall be interpreted to mean the total costs associated with the items to which the request applies; and

(iv) in Item 14a, contractors shall include only those subcontractor costs which are applicable to the items for which the contractor is requiring payment.

E-503.3 ***Indefinite Quantity Contracts—Basic Ordering Agreements.***

(a) For indefinite quantity contracts (3-409.3) and basic ordering agreements (3-410.2) contemplating requisitions, delivery orders, work orders, task orders, job orders or their equivalent, if the contractor meets all other requirements for customary progress payments, the decision as to whether progress payments come within the customary category will depend upon estimates of the amount of work expected to be done, and the production lead time expected to be necessary for the major part of the work anticipated. In these cases, provision for progress payments in the indefinite quantity contract or basic ordering agreement may be deemed customary if the amounts involved, and the production lead time, will result in the substantial equivalent of the customary progress payments. Insofar as practicable, the progress payment provision of an indefinite quantity contract or basic ordering agreement shall fix a single liquidation rate to be applicable to all procurement actions under that agreement. The standards for unusual progress payments govern when progress payments are not of the customary type.

(b) Progress payments made under indefinite quantity contracts and basic ordering agreements shall normally be processed on the basis of individual orders or calls. Alternatively, at the contractor's request, but with the specific approval of the ACO, provision may be made to process progress payments against the basic contract/agreement. Whenever the contract/agreement method is used, the contractor shall be required to submit a supporting schedule for each DD Form 1195, identifying the costs applicable to each call or order. Subject to the above restrictions, for progress payment purposes, all procurement actions under the basic contract, (1) involving progress payments on a procurement action, and (2) having a single uniform liquidation rate, and (3) for payment by a single paying office (1-201.30), may be grouped and aggregated so that the contract price, costs, payments and liquidations will be handled in the same way as if all such procurement actions constituted work under a single fixed-price type contract.

Except as provided above, for progress payment purposes, each order, call or equivalent procurement action, with progress payments, will be treated as a separate contract.

E-504 Formal Advertising and Small Business Restricted Advertising. Incident to formal advertising, invitations for bids shall provide for progress payments in the manner and under the circumstances stated below.

E-504.1 *Progress Payment Provision in Invitations for Bids.* When progress payments are contemplated, the invitation for bids shall include a notice of availa-

E-510 Contract Clause. Subject to the instructions in E-511 and E-512, the Progress Payment clauses in 7-104.35 shall be used when payments are to be made to a contractor based upon a percentage of costs. The clause contained in 7-104.35(a) shall be used in contracts with other than small business concerns. The clause contained in 7-104.35(b) shall be used in contracts with small business concerns.

E-510.1 *Progress Payment Clause for Other Than Small Business Concerns.* See 7-104.35(a).

E-510.2 *Progress Payment Clause for Small Business Concerns.* See 7-104.35(b).

E-511 Instructions for Progress Payment Clause. The instructions below apply to the clauses in 7-104.35.

E-511.1 *Contracting Officer.* The term *"contracting officer"* as used in this Part 5 means the contracting officer as defined in 1-201.3.

E-511.2 *Uniform Standard Percentages — Firms Not Small Business Concerns—Paragraphs (a) and (b) of Clause.* For contracts with contractors that are not small business concerns, except as provided in E-511.4, the figure of 90 percent stated in paragraphs (a)(1)(i), (a)(4)(i), (a)(4)(ii), (a)(5) and (b) of the clause in 7-104.35(a) is the uniform standard percentage for use in those paragraphs for all contracts, whether awarded on the basis of formal advertising or negotiation.

E-511.3 *Uniform Standard Percentages — Small Business Concerns—Paragraphs (a) and (b) of Clause.* For contracts with small business concerns, except as provided in E-511.4, a figure of 95 percent shall be specified in paragraphs (a)(1)(i), (a)(3)(i), (a)(3)(ii), (a)(4) and (b) of the clause in 7-104.35(b). This is the standard percentage for all contracts awarded to small businesses, whether on the basis of formal advertising (E-504.1, E-504.2, or E-504.3) or negotiation.

E-511.4 *Unusual Percentages.* For unusual progress payments (E-505), the percentage used for paragraph (a)(1)(i) of the clauses in 7-104.35 will also be specified in (a)(3)(i). For these contracts, if a percentage lower than the percentage used for (a)(1)(i) is stated in paragraph (b) of the clause pursuant to E-512.2, the exact percentage stated in (b) shall also be specified in paragraph (a)(3)(ii) and (a)(4) of the clause.

E-511.5 *Other Protective Provisions.* When deemed reasonably necessary for the protection of the Government, the clauses in 7-104.35 may be supplemented by additional protective provisions, such as personal or corporate guarantees, subordinations or standbys of indebtedness, special bank accounts, and other protective covenants of the kinds outlined in paragraph (18) of the clause in 7-104.34. When first article approval is required (Section I, Part 19), additional

protective provisions shall be used reciting that, until first article approval (1-1901), there shall be no progress payments, or that the aggregate of progress payments for first article costs shall be limited to a stated amount, or percentage (less than the percentage used in paragraph (a)(4) of the clause in 7-104.35(a) and paragraph (a)(3) of the clause in 7-104.35(b)) of the contract price.

E-511.6 ***Provisional Increases in Contract Price.*** **Ordinarily, the definitized price shall be the basis for limiting the aggregate amount of progress payments** within the meaning of "total contract price" as used in paragraph (a)(5) of the clause in 7-104.35(a) and paragraph (a)(4) of the clause in 7-104.35(b). An exception exists if the application of this limitation would result in an inability to pay progress payments for costs properly incurred for authorized but unpriced contractual actions pertaining to the definitized contract or in the case of incentive-type contracts, if the contractor's costs exceed the target price. When this exception exists, the contracting officer may make a provisional increase in the contract price for the purpose of paragraph (a)(5) of the clause in 7-104.35(a) and paragraph (a)(4) of the clause in 7-104.35(b). The provisional increase to the contract price shall not exceed the amount recorded as an obligation based upon the Government's estimate of its liability for those unpriced contractual actions.

E-512 Progress Payment Liquidation. Controlling principles for liquidation of progress payments based on costs, and for specification of a percentage in paragraph (b) of the clauses (7-104.35(a) & (b)) are set out below.

E-512.1 ***Ordinary Method.*** **See E-511.2 and E-511.3. The percentages specified in E-511.2 and E-511.3 for paragraph (b) of the Progress Payment clauses (7-104.35) represent the ordinary method for liquidation of progress payments, i.e., the percentage for progress payments stated in (a)(1)(i) of each clause will also be the percentage for liquidation stated in (b) of such clause.** However, when a contract is subject to a limitation on General and Administrative (G&A) expenses eligible for progress payments because a contractor elected to use the special transition method provided in Cost Accounting Standard 410, Allocation of Business Unit General and Administrative Expense to Final Cost Objectives, an adjusted ordinary liquidation rate will be used. The adjusted liquidation rate will be established by subtracting from the progress payment percentage stated in the contract, the percentage computed by multiplying the progress payment percentage

ILLUSTRATIVE MINIMUM PROGRESS PAYMENT LIQUIDATION RATES

Profit Rate	*Minimum Liquidation Rate, with Progress Payment Rate:* 80%	85%	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%	100%
2.0	78.5	83.4	88.3	89.3	90.2	91.2	92.2	93.2	94.2	95.1	96.1	97.1	98.1
3.0	77.7	82.6	87.4	88.4	89.4	90.3	91.3	92.3	93.2	94.2	95.2	96.2	97.1
4.0	77.0	81.8	86.6	87.5	88.5	89.5	90.4	91.4	92.3	93.3	94.3	95.2	96.2
4.1	76.9	81.7	86.5	87.5	88.4	89.4	90.3	91.3	92.3	93.2	94.2	95.1	96.1
5.0	76.2	81.0	85.8	86.7	87.7	88.6	89.6	90.5	91.5	92.4	93.4	94.3	95.3
6.0	75.5	80.2	84.9	85.9	86.8	87.8	88.7	89.7	90.6	91.5	92.5	93.4	94.4
7.0	74.8	79.5	84.2	85.1	86.0	87.0	87.9	88.8	89.8	90.7	91.6	92.6	93.5
7.1	74.7	79.4	84.1	85.0	85.9	86.9	87.8	88.7	89.7	90.6	91.5	92.5	93.4
7.2	74.7	79.3	84.0	84.9	85.9	86.8	87.7	88.7	89.6	90.5	91.5	92.4	93.3
7.3	74.6	79.3	83.9	84.8	85.8	86.7	87.6	88.6	89.5	90.4	91.4	92.3	93.2
7.4	74.5	79.2	83.8	84.8	85.7	86.6	87.6	88.5	89.4	90.4	91.3	92.2	93.1
7.5	74.5	79.1	83.8	84.7	85.6	86.6	87.5	88.4	89.3	90.3	91.2	92.1	93.1
7.6	74.4	79.0	83.7	84.6	85.5	86.5	87.4	88.3	89.3	90.2	91.1	92.0	93.0
7.7	74.3	79.0	83.6	84.5	85.5	86.4	87.3	88.2	89.2	90.1	91.0	92.0	92.9
7.8	74.3	78.9	83.5	84.5	85.4	86.3	87.2	88.2	89.1	90.0	90.9	91.9	92.8
7.9	74.2	78.8	83.5	84.4	85.3	86.2	87.2	88.1	89.0	89.9	90.9	91.8	92.7
8.0	74.1	78.7	83.4	84.3	85.2	86.2	87.1	88.0	88.9	89.9	90.8	91.7	92.6
8.1	74.0	78.7	83.3	84.2	85.1	86.1	87.0	87.9	88.8	89.8	90.7	91.6	92.5
8.2	74.0	78.6	83.2	84.1	85.1	86.0	86.9	87.8	88.8	89.7	90.6	91.5	92.5
8.3	73.9	78.5	83.1	84.1	85.0	85.9	86.8	87.8	88.7	89.6	90.5	91.5	92.4
8.4	73.8	78.5	83.1	84.0	84.9	85.8	86.8	87.7	88.6	89.5	90.4	91.4	92.3
8.5	73.8	78.4	83.0	83.9	84.8	85.8	86.7	87.6	88.5	89.4	90.4	91.3	92.2
8.6	73.7	78.3	82.9	83.8	84.8	85.7	86.6	87.5	88.4	89.4	90.3	91.2	92.1
8.7	73.6	78.2	82.8	83.8	84.7	85.6	86.5	87.4	88.4	89.3	90.2	91.1	92.0
8.8	73.6	78.2	82.8	83.7	84.6	85.5	86.4	87.4	88.3	89.2	90.1	91.0	92.0
8.9	73.5	78.1	82.7	83.6	84.5	85.4	86.4	87.3	88.2	89.1	90.0	90.9	91.9
9.0	73.4	78.0	82.6	83.5	84.4	85.4	86.3	87.2	88.1	89.0	89.9	90.9	91.8
9.1	73.4	78.0	82.5	83.4	84.4	85.3	86.2	87.1	88.0	88.9	89.9	90.8	91.7
9.2	73.3	77.9	82.5	83.4	84.3	85.2	86.1	87.0	88.0	88.9	89.8	90.7	91.6
9.3	73.2	77.8	82.4	83.3	84.2	85.1	86.0	87.0	87.9	88.8	89.7	90.6	91.5
9.4	73.2	77.7	82.3	83.2	84.1	85.0	86.0	86.9	87.8	88.7	89.6	90.5	91.4
9.5	73.1	77.7	82.2	83.1	84.1	85.0	85.9	86.8	87.7	88.6	89.5	90.5	91.4
9.6	73.0	77.6	82.2	83.1	84.0	84.9	85.8	86.7	87.6	88.5	89.5	90.4	91.3
9.7	73.0	77.5	82.1	83.0	83.9	84.8	85.7	86.6	87.6	88.5	89.4	90.3	91.2
9.8	72.9	77.5	82.0	82.9	83.8	84.7	85.7	86.6	87.5	88.4	89.3	90.2	91.1
9.9	72.8	77.4	81.9	82.8	83.8	84.7	85.6	86.5	87.4	88.3	89.2	90.1	91.0
10.0	72.8	77.3	81.9	82.8	83.7	84.6	85.5	86.4	87.3	88.2	89.1	90.0	90.9
10.1	72.7	77.2	81.8	82.7	83.6	84.5	85.4	86.3	87.2	88.1	89.0	90.0	90.9
10.2	72.6	77.2	81.7	82.6	83.5	84.4	85.3	86.2	87.2	88.1	89.0	89.9	90.8
10.3	72.6	77.1	81.6	82.5	83.4	84.4	85.3	86.2	87.1	88.0	88.9	89.8	90.7
10.4	72.5	77.0	81.6	82.5	83.4	84.3	85.2	86.1	87.0	87.9	88.8	89.7	90.6
10.5	72.4	77.0	81.5	82.4	83.3	84.2	85.1	86.0	86.9	87.8	88.7	89.6	90.5
10.6	72.4	76.9	81.4	82.3	83.2	84.1	85.0	85.9	86.8	87.7	88.6	89.6	90.5
10.7	72.3	76.8	81.3	82.2	83.1	84.1	85.0	85.9	86.8	87.7	88.6	89.5	90.4

ILLUSTRATIVE MINIMUM PROGRESS PAYMENT LIQUIDATION RATES—*Continued*

Profit Rate	*Minimum Liquidation Rate, with Progress Payment Rate:* 80%	85%	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%	100%
10.8	72.2	76.8	81.3	82.2	83.1	84.0	84.9	85.8	86.7	87.6	88.5	89.4	90.3
10.9	72.2	76.7	81.2	82.1	83.0	83.9	84.8	85.7	86.6	87.5	88.4	89.3	90.2
11.0	72.1	76.6	81.1	82.0	82.9	83.8	84.7	85.6	86.5	87.4	88.3	89.2	90.1
11.1	72.0	76.5	81.0	81.9	82.8	83.7	84.6	85.5	86.4	87.3	88.2	89.1	90.0
11.2	72.0	76.5	81.0	81.9	82.8	83.7	84.6	85.5	86.4	87.3	88.2	89.1	90.0
11.3	71.9	76.4	80.9	81.8	82.7	83.6	84.5	85.4	86.3	87.2	88.1	89.0	89.9
11.4	71.9	76.3	80.8	81.7	82.6	83.5	84.4	85.3	86.2	87.1	88.0	88.9	89.8
11.5	71.8	76.3	80.8	81.7	82.6	83.4	84.3	85.2	86.1	87.0	87.9	88.8	89.7
11.6	71.7	76.2	80.7	81.6	82.5	83.4	84.3	85.2	86.1	87.0	87.9	88.7	89.6
11.7	71.7	76.1	80.6	81.5	82.4	83.3	84.2	85.1	86.0	86.9	87.8	88.7	89.6
11.8	71.6	76.1	80.5	81.4	82.3	83.2	84.1	85.0	85.9	86.8	87.7	88.6	89.5
11.9	71.5	76.0	80.5	81.4	82.3	83.1	84.0	84.9	85.8	86.7	87.6	88.5	89.4
12.0	71.5	75.9	80.4	81.3	82.2	83.1	84.0	84.9	85.8	86.6	87.5	88.4	89.3
12.1	71.4	75.9	80.3	81.2	82.1	83.0	83.9	84.8	85.7	86.6	87.5	88.4	89.2
12.2	71.3	75.8	80.3	81.1	82.0	82.9	83.8	84.7	85.6	86.5	87.4	88.3	89.2
12.3	71.3	75.7	80.2	81.1	82.0	82.9	83.7	84.6	85.5	86.4	87.3	88.2	89.1
12.4	71.2	75.7	80.1	81.0	81.9	82.8	83.7	84.6	85.4	86.3	87.2	88.1	89.0
12.5	71.2	75.6	80.0	80.9	81.8	82.7	83.6	84.5	85.4	86.3	87.2	88.0	88.9
12.6	71.1	75.5	80.0	80.9	81.7	82.6	83.5	84.4	85.3	86.2	87.1	88.0	88.8
12.7	71.0	75.5	79.9	80.8	81.7	82.6	83.4	84.3	85.2	86.1	87.0	87.9	88.8
12.8	71.0	75.4	79.8	80.7	81.6	82.5	83.4	84.3	85.1	86.0	86.9	87.8	88.7
12.9	70.9	75.3	79.8	80.6	81.5	82.4	83.3	84.2	85.1	86.0	86.8	87.7	88.6
13.0	70.8	75.3	79.7	80.6	81.5	82.3	83.2	84.1	85.0	85.9	86.8	87.7	88.5
13.1	70.8	75.2	79.6	80.5	81.4	82.3	83.2	84.0	84.9	85.8	86.7	87.6	88.5
13.2	70.7	75.1	79.5	80.4	81.3	82.2	83.1	84.0	84.8	85.7	86.6	87.5	88.4
13.3	70.6	75.1	79.5	80.4	81.2	82.1	83.0	83.9	84.8	85.7	86.5	87.4	88.3
13.4	70.6	75.0	79.4	80.3	81.2	82.1	82.9	83.8	84.7	85.6	86.5	87.3	88.2
13.5	70.5	74.9	79.3	80.2	81.1	82.0	82.9	83.7	84.6	85.5	86.4	87.3	88.1
13.6	70.5	74.9	79.3	80.1	81.0	81.9	82.8	83.7	84.5	85.4	86.3	87.2	88.1
13.7	70.4	74.8	79.2	80.1	81.0	81.8	82.7	83.6	84.5	85.4	86.2	87.1	88.0
13.8	70.3	74.7	79.1	80.0	80.9	81.8	82.6	83.5	84.4	85.3	86.2	87.0	87.9
13.9	70.3	74.7	79.1	79.9	80.8	81.7	82.6	83.4	84.3	85.2	86.1	87.0	87.8
14.0	70.2	74.6	79.0	79.9	80.7	81.6	82.5	83.4	84.3	85.1	86.0	86.9	87.8
14.7	69.8	74.1	78.5	79.4	80.2	81.1	82.0	82.9	83.7	84.6	85.5	86.4	87.2
15.0	69.6	74.0	78.3	79.2	80.0	80.9	81.8	82.6	83.5	84.4	85.3	86.1	87.0
16.0	69.0	73.3	77.6	78.5	79.4	80.2	81.1	81.9	82.8	83.7	84.5	85.4	86.2
16.8	68.5	72.8	77.1	78.0	78.8	79.7	80.5	81.4	82.2	83.1	83.9	84.8	85.7
17.0	68.4	72.7	77.0	77.8	78.7	79.5	80.4	81.2	82.1	82.9	83.8	84.7	85.5
18.0	67.8	72.1	76.3	77.2	78.0	78.9	79.7	80.5	81.4	82.2	83.1	83.9	84.8
18.9	67.3	71.5	75.7	76.6	77.4	78.3	79.1	79.9	80.8	81.6	82.5	83.3	84.1
19.0	67.3	71.5	75.7	76.5	77.4	78.2	79.0	79.9	80.7	81.6	82.4	83.2	84.1
20.0	66.7	70.9	75.0	75.9	76.7	77.5	78.4	79.2	80.0	80.9	81.7	82.5	83.4

(d) Minimum liquidation rates will of course have to vary up or down from those shown in the above illustrative tables, for differing rates of projected profit and for the different percentages for progress payments.

(e) It must be recognized that, on FMS contracts that include requirements for more than one country, it will be necessary to apply a different liquidation rate on delivery billings for each country's requirements for which a different profit percentage is expected. The different liquidation rates will be calculated in accordance with guidance contained in the preceding paragraphs.

(f) When a contract is subject to a limitation on General and Administrative (G&A) expenses eligible for progress payments because a contractor elected to use the special transition method provided in Cost Accounting Standard 410, an adjusted alternate liquidation rate will be used. The adjusted alternate liquidation rate will be established by subtracting the estimated G&A costs not eligible for progress payments from total estimated contract costs. For example, if the price is $1,100,000, cost is $1,000,000 and unbilled G&A $47,600, the liquidation rate would be calculated as follows:

$$\frac{(1{,}000{,}000 - 47{,}600)}{1{,}100{,}000} \times 80\% = 69.26\%$$

Use 69.3%

E–516 Provisional Delivery Payments. Provision may be made for provisional billings and payments for items delivered to and accepted by the Government (i) on letter contracts contemplating a definitive fixed-price type of contract, (ii) on orders under basic ordering agreements, (iii) on spares provisioning documents annexed to contracts, and (iv) on fixed-price contracts for increases in contract price for unpriced equitable adjustments. These provisional delivery billing prices should of course be without prejudice to definitive or final contract pricing. They should be set conservatively so as to cover no more than the costs fairly attributable to items to be delivered and accepted, taking into account prospective total costs and quantities contemplated for (i) the letter contract and the definitive contract, or (ii) for all orders reasonably expected to be placed under the basic ordering agreement, or (iii) pursuant to the spares provisioning document and the contract of which it has become a part, or (iv) increase in price for unpriced equitable adjustments. These total provisional payments of course cannot exceed the amount obligated on the letter contract or on each order under a basic ordering agreement, incident to execution of a spares provisioning document, or the obligation based upon the Government's estimate of its liability for the equitable adjustment and compliance with the conditions of E–511.6. Provisional billings for deliveries are of course subject to deductions for liquidation of progress payments, (paragraph (b) of the clause in 7–104.35(a)).

E–517 Contract Financing Office Clearance. The following types of provisions for progress payments require submission through channels and prior approval by the contract financing office (E–212):

(i) Those involving progress payments at rates exceeding the uniform standard rates authorized by E–503 and E–504, unless developed in accordance with E–530;

(ii) Those involving deviations, as defined in E–509.9;

(iii) Those exceptional cases involving unusual risks, described in E–212;

(iv) Those involving contractors as to whom it is known that within the preceding 12 months (1) request for advance payments has been denied for financial reasons by the contract financing office, or (2) application for guarantee of a loan to the contractor or for increase or extension of maturity of a guaranteed loan, has been disapproved for financial reasons, or (3) an approved application for guarantee of a loan or for advance payment to the contractor has lapsed or has been withdrawn;

(v) Those involving contractors named on the consolidated list of contractors indebted to the United States, commonly known as the "Hold-Up List"; and

(vi) Those involving contracts in which progress payments were not specifically provided for at the time such contract was initially entered into, and which payments will exceed $25,000,000 (*see E–500.3 and E–505*).

E–518 Coordination. The coordination described in the third subparagraph of E–505 is required for all cases mentioned in items (i), (ii), and (vi) of E–517.

E–518.1 *Control Lists.* To give effect to E–517(iv), pertinent information will be exchanged between the several contract financing offices and distributed through normal channels to contracting officers.

E–518.2 *Hold-Up List.* To give effect to E–517(v), and for other proper purposes, the "Hold-Up List" there mentioned will be distributed through normal channels to contracting officers.

E–519 Contractor's Request. The Contractor's Request for Progress Payment (DD Form 1195) set forth in F–200.1195, with any supporting information that may be reasonably required will be used in lieu of an invoice when requesting progress payments on contracts containing the Progress Payments clause (7–104.35) and on contracts containing any deviation from that clause approved pursuant to E–517 and E–518. The use of this form is subject to the instructions set forth on the reverse thereof.

E–520 Audit. For the making of progress payments, principal reliance will be placed on the adequacy of the contractor's accounting system and controls (E–506) and on the reliability of the contractor's certificates. To conserve administrative effort, hold down expense, and promote prompt payment of proper progress billings, audit before the making of progress payments will be kept to the minimum necessary for the protection of the interest of the Government. Preaudit, that is, audit before the making of a progress payment, will be limited to those situations in which there is reason to question the reliability or accuracy of the contractor's certificate, or reason to believe that the contract will involve a loss. Where the adequacy and reliability of the contractor's accounting system and controls have been established in accordance with E–506, there shall be no requirement for preaudit of the first progress billing under new contracts. Postreview or postaudit will be made when considered desirable by the contracting officer to determine the validity of any progress payment made on the contractor's certifications.

E–521 Administration—General. Progress Payment clauses cannot be self-executing, and require careful administration to insure against overpayments and losses. In all cases the physical progress of the work should be evaluated periodically to assure that the progress payments are fairly supported by the value of the work actually accomplished on the undelivered portion of the contract in conformity with the contract requirements. Also, the unliquidated progress payments should not be permitted to exceed the percentage specified in the contract, of the costs forming the base for progress payments, applicable only to the partially finished undelivered portion of the contract. It is necessary for adequate supervision of progress payments that the administering office keep itself informed concerning the contractor's overall operations and financial condition, since difficulties encountered and losses suffered in operations outside the particular progress payment contract may affect adversely the performance of that contract and the liquidation of the progress payments. For contracts with those contractors whose financial condition is doubtful or not strong in relation to progress payments outstanding or to be outstanding, or whose management is of doubtful capacity or whose accounting controls are found by experience to be weak, or who are encountering substantial difficulties in performance, full information concerning both the progress under the contracts involved (including the status of subcontracts), and concerning the contractor's other operations and financial condition, should be obtained and analyzed at frequent intervals, with a view to the better protection of the interest of the Government and the taking of such action as may be proper to make contract performance more certain. If there is reason to doubt only minor elements of the costs involved in a progress billing, only the doubtful amounts should be withheld, subject to later adjustment, and the amount clearly

E-529.6 *Approval.* Because milestone billing arrangements are measures to accommodate particular situations, special review and approval of such arrangements are considered necessary. Responsibility and authority for approving milestone billing arrangement terms and conditions shall be the Assistant Secretary responsible for the Comptroller function in each Military Department; such authority may be delegated to a level no lower than the contract financing office at Departmental Headquarters.

E-530 Flexible Progress Payments.

E-530.1 *Background and Policy.* Paying progress payments assists in financing a contractor's performance and reduces the contractor's investment in its work in process inventory. The actual investment held by a contractor in work in process inventory is influenced by a number of factors in addition to progress payments, such as delivery schedules, cash management practices, and Government payment practices. Progress payment amounts that are determined by using uniform, standard progress payment rates (i.e., 90% or 95% under E-503) are insensitive to these other factors influencing investment and, as a consequence, result in investments by contractors in work in process inventory that vary among contractors and across contracts; on the other hand, flexible progress payment rates (expressed as a percentage that will be applied to costs to determine the amount payable as a progress payment in the same manner as uniform, standard progress payment rates) are designed to tailor more closely the progress payment rate to the cash needs for financing performance of a particular contractor for a given contract.

For flexible progress payments, cash needs are measured and projected in relation to investment underlying the work in process inventory over the life of the contract. Total investment is measured by a weighted average of total costs paid by the contractor to complete performance of the contract, and the contractor's investment is the weighted average of the amount not paid by the Government. The Department of Defense (DoD), as a matter of policy, has concluded that a contractor should retain at least a 5% investment in work in process inventory over the life of the contract. Accordingly, the DoD will make progress payments at a rate (expressed as a whole number) that is the highest rate which yields a corresponding investment by the contractor in work in process inventory of not less than 5%. This progress payment rate is to be determined by the DoD Cash Flow Computer Model. In no event will the progress payment rate be greater than 100%, or less than the uniform, standard progress payment rate that would have been applied to the contract absent flexible progress payments.

Contracting officers shall use a flexible progress payment rate in lieu of uniform, standard progress payment rates for the purpose of computing monthly progress payments if requested by the contractor, if the criteria in E-530.3 are met, and if the contractor agrees to the requirements of this section. No more than one progress payment rate may be applied to the contract at any given time. Flexible progress payments shall be regarded as customary progress payments, as defined in E-503.

E-530.2 *DoD Cash Flow Computer Model.* The flexible progress payment rate shall be determined through application of the DoD Cash Flow Computer Model, available to contracting officers on the COPPER IMPACT computer time sharing network under the computer file name "CASH." The executing command is "RUN CASH." The model takes into account key cash flow factors, such as contract cost profile, delivery schedules, subcontractor progress payments, liquidation rates, and payment/reimbursement cycles. Operating instructions and cash flow data requirements are retrievable within the model in a conversational mode. Contractors may obtain copies of the DoD Cash Flow Computer Model User's Guide (including the related computer program) from the Defense Technical Information Center, Building 5, Cameron Station, Alexandria, VA 22314. Contracting officers may not grant contractor access to Government leased COPPER IMPACT time sharing computer network.

E-530.3 *Criteria for Use.* Contractors who submit certified cost or pricing data, as defined in 3-807.3, for negotiated fixed-price contracts in excess of $1 million may request flexible progress payments. Formally advertised contracts are not eligible for flexible progress payments. Flexible progress payments are not available for contracts awarded and performed entirely outside of the United States, its possessions and territories.

E-530.4 *Procedures.* Contractors will furnish to the contracting officer cash flow data in the form and context specified by the DoD Cash Flow Computer Model. These data include: actual and projected incurred cost broken down by element of cost and by month for the duration of the contract, float times for each element of cost, progress payment receipts and delivery payment receipts and associated contract prices and profit percentage. Contracting officers will verify the cash flow data in accordance with normal procedures used to verify contractor cost and pricing data.

Administrative contracting officers are encouraged to establish advance agreements at contractor locations for float and payment lag which are common to several contracts. Such agreements should be established when administratively practical.

E-530.5 *Progress Payment Rate Redetermination.* A redetermination of the flexible progress payment rate shall be made upon the request of the Government or the contractor if measurement of the contractor's cumulative investment in work in process inventory using actual and projected cash flow data indicates an investment level above 7% or below 3%. The cash flow computer model is designed to generate a progress payment rate that yields a target investment of 5%, based on a weighted average. Accordingly, there should normally be no need to request actual and projected contract cash flow data unless delivery schedules are revised, Government progress payment lag times are substantially changed from those used in the establishment of the progress payment rate, or substantial new work (e.g., option) is added to the contract.

E-530.6 *Administration.* Flexible progress payments will be administered in accordance with the provisions of E-521 through E-528.

E-530.7 *Subcontractor Progress Payments.* As noted in E-513, the standards for progress payments to subcontractors ought to be the same as those applicable to prime contractors. Accordingly, subcontractors who request a flexible progress payment rate, meet the criteria in E-530.3 and agree to the requirements of this section are to receive a flexible progress payment rate. The subcontract flexible progress payment rate will be determined by the prime contractor without regard to the progress payment rate in the prime contract. The DoD Cash Flow Computer Model and associated procedures will be used by the prime contractor and a reasonable review of the cash flow data provided by the subcontractor will be made. Procurement System Reviews conducted in accordance with 23-100 will include a review of a prime contractor's practices in this area.

E-530.8 *Contractual Implementation.* When a flexible progress payment rate is used in the contract, contracting officers will include in the schedule the clause at 7-104.35(c).

Part 6—Contract Debts—Interest—Deferred Payments

E-600 Scope. This Part provides uniform policies and procedure for the ascertainment and collection of contract debts, for the charging of interest thereon, for deferral of payments, for compromise and termination of certain claims, and for reporting of contractor bankruptcies. Except as specified herein, it applies to all indebtedness arising in connection with contracts for procurement of property or services, contracts for sale or use of Government property, and from charges for Government services.

E-600.1 Exclusion and Limitation. This Part does not apply to claims of the Government against military or civilian employees or their dependents, arising in connection with current or past employment by the Government. Its provisions concerning interest and deferral of payments and compromise or termination of certain claims do not apply to indebtedness resulting from statutory renegotiation, nor to claim against common carriers for transportation overcharges or freight or cargo loss or damage.

E-600.2 *Subcontractors.* Insofar as possible, this Part 6 shall be applied to subcontractors who are indebted to the Government, the same as to prime contractors. Accordingly, for the purpose of this Part 6 (except E-620 and E-604.1) the terms "contract" and "contractor" include subcontracts and subcontractors, and the terms "debt" and "indebtedness" include the debts of subcontractors to the Government.

E-600.3 *Purchasers, Lessees, Bailees and Others.* For the purpose of this Part 6, the term "contract" includes agreements or arrangements for the sale or use of Government property of any kind, or for the receipt of Government services, and the term "contractor" includes the parties to such arrangements or agreements relating to Government property or services.

E-601 Examples. Indebtedness to the Government occurs in various ways. Examples include:

(i) Damages or excess costs incident to defaults in performance;
(ii) Breach of contract obligations concerning progress payments, advance payments, or Government-furnished property or material;
(iii) Delinquency in rentals;
(iv) Delinquency in payment of price of property purchased from the Government;
(v) Expense of correction of defects;
(vi) Overpayments incident to errors in quantity, deficiencies in quality, or errors in billing;
(vii) Retroactive price reductions resulting from contract provisions for price redetermination or for determination of prices under incentive type contracts;
(viii) Delinquency in payment of charges for Government services;
(ix) Delinquency in payment called for by agreement or arrangement for deferral or postponement of payments;
(x) Statutory renegotiation. See E-600.1.

E-602 Contracting Officer and Disbursing Officer. Primary responsibility for determination and collection of a contract debt is on the contracting officer (see

(ii) *Overseas:* The same criteria as for continental United States applies except the consolidation period may be extended to a time frame acceptable to the receiving activity, shipping activity, Government finance office and the authorized Government Representative having cognizance at the contractor's facility. In addition, more than one contract line item may be included provided the "Shipped To," "Marked For," "Shipped From," "Mode of Shipment," "PQA" and "Acceptance" data are the same for all.

(6) Consolidation of Coal Shipments on a single MIRR—Multiple railcar or truck shipments of coal made on the same day, to the same destination, against the same contract line item, may be consolidated on one MIRR. To permit verification of truck deliveries, each load shall be assigned a load number which can be identified to the shipment number in block 2 of the DD Form 250 and the attached analytical test report. Individual truck loads shall be accompanied by a commercial shipping document showing as a minimum the shipper, the name or names, location and shipping point of the mine or mines from which the coal originates, the contract number, the exact size of the coal shipped, and a certified weighmaster's certificate of weight for the truckload. Rail shipments will be accompanied by a waybill showing the identical information. To permit verification of rail deliveries, each railcar number comprising the shipment shall be identified to the shipment number in block 2 of the DD Form 250 and the attached analytical test report. When acceptance is at destination, the receiving activity shall retain the shipping document(s) to verify the entries on the consignee copy of the DD Form 21B.

(b) *DD Form 250–1:*

(1) A separate form shall be used for each tanker or barge cargo loaded. More than one barge in the same tow may be reported on a single form if on the same contract and consigned to the same destination. When liftings involve more than one contract, separate forms shall be prepared to cover the portion of cargo loaded on each contract. A separate form shall be prepared for each product or grade of product loaded.

(2) A separate document shall be used for each tanker or barge cargo and each grade of product discharged. More than one barge in the same tow may be reported on a single form if from the same loading source.

I–105 Forms.

(a) Contractors may obtain from the Contract Administration Office, upon request, and at no cost, MIRR forms required for use in connection with Government contracts.

(b) Contractors may print forms provided that the format and dimensions (*DD Forms 250 and 250c: 8 - 1 / 2 inches x 11 inches, DD Form 250–1: 8 - 1 / 2 inches x 14 inches*) are identical to the MIRR forms printed by the Government and that the forms are cast to provide for 78 characters per printed image horizontally and 62 lines vertically border to border for the DD Form 250, and 61 lines vertically border to border for the DD Form 250c.

I–106 Reproduction. This appendix may be reproduced in whole or in part.

Part 2—PQA on Shipments Between Contractors

I–201 Instructions. The suppliers' commercial shipping document / packing list shall be used to indicate performance of required PQA actions at subcontract level. The following entries shall be made on the supplier's commercial shipping document / packing list.

Required PQA of listed items has been performed.
.....(*Signature of Authorized Govt. Rep. or DoD Stamp*)
.....(*Date*)
.....(*Typed Name and Office*)

Distribution for Government purposes shall be one copy:

(i) with shipment;

(ii) for the Government representative at consignee (via mail); and

(iii) for the Government representative at consignor.

MATERIAL INSPECTION AND RECEIVING REPORT

TABLE 1

STANDARD DISTRIBUTION

With Shipment * 4

Consignee (*via mail*) 2

(*For Navy procurement, copies will be priced*)
(For Grant Aid/Foreign Military Sales, consignee copies are not required)

Contract Administration Office 1

(Forward direct to address in Block 10 except when addressee is a DCASR, DCASD, or DCASO, and a Certificate of Conformance (see I-301, Block 21(c)A(4)) or the Alternate Release Procedures (see I-301, Block 21(c)A(2)) is involved, and acceptance is at origin; then, forward through the Authorized Government Representative.)

Purchasing Office 1

Payment Office ** 4

(Forward direct to addressee in Block 12 except (i) when addressee in Block 10 is a DCASR, DCASD, or DCASO and Payment Office in Block 12 is a DCASR do not make distribution; (ii) when addressee in Block 12 is HQ AFCMD attach only one copy to the required number of copies of the contractor's invoice; (iii) when acceptance is at destination and a Navy Finance Office will make payment, forward to destination; and (iv) when a Certificate of Conformance (see I-301, Block 21(c)A(4)) or the Alternative Release Procedures (see I-301, Block 21(c)A(2)) is involved and acceptance is at origin, forward the copies through the Authorized Government Representative.)

ADP Point for CAO (*Applicable to Air Force only*) 1

(When an AFPRO is specified as the administering activity in Block 10, or HQ AFCMD is cited as Payment Office in Block 12, send *one* copy to HQ AFCMD immediately upon signature. If submission of delivery data is being made by mechanical means, distribution of this hard copy need not be made to HQ AFCMD.)

*Attach as follows:

Type of Shipment	*Location*
Carload or truckload:	Affix to the shipment where it will be readily visible and available upon receipt.
Less-than-carload or truckload:	Affix to container number one, or container bearing lowest number.
Mail, including parcel post:	Attach to outside or include in the package. Include a copy in each additional package of multipackage shipments.
Pipeline or tank car:	Forward with consignee copies.

Railroad cars for coal movements

**Payment by DCASRs will be based on the source acceptance copies of DD Forms 250 forwarded to the Contract Administration Office except in those rare instances where distribution will be made to DCASR Payment Offices in accordance with the above distribution schedule.

MATERIAL INSPECTION AND RECEIVING REPORT

TABLE 2

SPECIAL DISTRIBUTION

As Required	*Address*	*Number of Copies*
Each Navy Status Control Activity, Army, Air Force, DSA Inventory Control Manager.	Address specified in the contract.	1 Each addressee
Quality Assurance Representative	Address specified by the assigned Quality Assurance Representative.	1
Transportation Office issuing GBL (attach to GBL memorandum copy).	CAO address unless otherwise specified in the contract.	1
Purchasing Office other than office issuing contract.	Address specified in the contract.	1
Foreign Military Sales Representative.	Address specified in the contract.	8
Military Assistance Advisory Group (Grant Aid Shipments).	U.S. Military Advisory Group, Military Attache, Mission, or other designated agency address as specified in the contract.	1
Army Foreign Military Sales/ Military Assistance Program (Grant Aid)	Commander US Army Security Assistance Center ATTN: DRSAC-OP 3rd Street and "M" Avenue, Bldg 54 New Cumberland Army Depot New Cumberland, PA 17070	1
Air Force On shipments of new production of aircraft and missiles, class 1410 missiles, 1510 aircraft (fixed wing, all types), 1520 aircraft (rotary wing), 1540 gliders, 1550 target drones.	Air Force Logistics Command Aerospace Vehicle Distribution Office (MCNAPV) Wright-Patterson AFB, Ohio 45433	1
When above items are delivered to aircraft modification centers.	A. F. Plant Representative Office	1
Foreign Military Sales/ Military Assistance Program (Grant Aid) shipments to Canada.	National Defence Headquarters Ottawa, Ontario Canada K1A OK4 Attn: DPSUPS3	1
Other Than Canada	Address specified in the contract.	1

Block 19—PRIOR INSPECTION. Leave blank.

Block 20—CONDITION OF SHORE PIPELINE. Indicate condition of line (full or empty) before and after loading.

Block 21—APPROPRIATION (Loading). Indicate the appropriation number shown on the contract, purchase order or distribution plan. If the shipment is made from departmentally owned stock, show "Army, Navy or Air Force (as appropriate) owned Stock."

Block 22—CONTRACT ITEM NO. Enter the contract item number applicable to the shipment.

Block 23—PRODUCT. Enter the product nomenclature and grade as shown in the contract or specification, the stock or class number, and the NATO symbol.

Block 24—SPECIFICATIONS. Enter the specification and amendment number shown in the contract.

Block 25—STATEMENT OF QUANTITY. Enter in the "LOADED" column, the net barrels, net gallons and long tons for the cargo loaded. NOTE: If more than 1 / 2 of 1% difference exists between the ship and shore quantity figures an investigation shall be made immediately to determine the cause of such difference. If necessary, corrected documents shall be prepared; otherwise, a statement shall be placed in Block 28 as to the probable or actual cause of the difference.

Block 26—STATEMENT OF QUALITY.

(a) Under the heading "TESTS" list all inspection acceptance tests of the specification and any other quality requirements of the contract.

(b) Under the heading "SPECIFICATION LIMITS" list the limits or requirements as stated in the specification or contract directly opposite each entry in the "TESTS" column. Applicable waivers to technical requirements shall be listed.

(c) Under the heading "TEST RESULTS" list the test results applicable to the storage tank or tanks from which the cargo was lifted. If more than one storage tank is involved, list the tests applicable to each tank in separate columns headed by the tank number, the date the product in the tank was approved, and the quantity loaded from the tank. Each column shall also list such product characteristics as amount and type of corrosion inhibitor, etc.

Block 27—TIME STATEMENT. Line out "DISCHARGE" and "DISCHARGING." Complete all applicable entries of the time statement using local time. These dates and times shall be taken from either the vessel or shore facility log. The Government representative shall assure that the logs are in agreement on those entries used. If the vessel and shore facility logs are not in agreement, the Government representative will explain the reasons in Block 28—REMARKS. Date and time vessel left berth shall not be entered on documents placed aboard the vessel but shall appear on all other copies. All dates shall be expressed in sequence of day, month, and year with the month spelled out or abbreviated (*e.g.*, 10 Sept. 67). The term FINISHED BALLAST DISCHARGE is meant to include all times needed to complete deballasting and mopping/drying of ship's tanks. The inspection of ship's tanks for loading is normally performed immediately upon completion of drying tanks.

Block 28—REMARKS. Use this space for reporting:

(a) All delays, their cause and responsible party (vessel, shore facility, Government representative, or other).

(b) Details of loading abnormalities such as product losses due to overflow, leaks, delivery of product from low level in shore tanks, etc.

(c) In the case of multiple consignees, enter each consignee, the amount consigned to each, and if applicable, the storage contract numbers appearing on the delivery order.

(d) When product title is vested in the U. S. Government, insert in capital letters "U. S. GOVERNMENT OWNED CARGO." If title to the product remains with the contractor and inspection is performed at source with acceptance at destination, insert in capital letters "CONTRACTOR OWNED CARGO."

(e) If the form covers shipments for Military Assistance Program support, enter in this space "FY-(the year)—MAP" in half-inch letters. Also indicate the MAP reference number—*i.e.*, program directive number or MAP case number if known.

(f) Seal numbers and location of seals. If space is not adequate, place this information on the ullage report or an attached supplemental sheet.

Block 29—COMPANY OR RECEIVING TERMINAL. Line out "OR RECEIVING TERMINAL" and secure the signature of the supplier's representative. The signature shall be applied to the master ditto or all copies of the form.

Block 30—CERTIFICATION BY GOVERNMENT REPRESENTATIVE. Line out "DISCHARGED." The Government representative shall date and sign the completed master ditto or all copies of the form to certify inspection and acceptance, as applicable, by the Government. The name of the individual signing this certification, as well as the names applied in Blocks 29 and 31 shall be typed or hand lettered on the master or all copies of the document. The signature in Block 30 must agree with the typed or lettered name to be acceptable to the paying office.

Block 31—CERTIFICATION BY MASTER OR AGENT. Obtain the signature of the master of the vessel or its agent. The signature shall be applied to the master ditto or all copies of the form.

MATERIAL INSPECTION AND RECEIVING REPORT

Part 6—Preparation of the DD Form 250–1 (DISCHARGE REPORT)

I–601 Instructions. The DD Form 250–1 shall be prepared in accordance with the following instructions when applied to a tanker or barge discharge. Abbreviations may be used where space is limited. The block numbers correspond to those on the form.

Block 1—TANKER/BARGE. Line out "TANKER" or "BARGE" as applicable and place "X" to indicate discharge report.

Block 2—INSPECTION OFFICE. Indicate Government activity performing inspection on the cargo received.

Block 3—REPORT NO. Leave blank.

Block 4—AGENCY PLACING ORDER ON SHIPPER, CITY, STATE AND/OR LOCAL ADDRESS (loading). Indicate Government agency shown on loading report.

Block 5—DEPARTMENT. Indicate Department owning product being received.

Block 6—PRIME CONTRACT OR P.O. NO. Indicate the contract or purchase order number shown on the loading report.

Block 7—NAME OF PRIME CONTRACTOR, CITY, STATE AND/OR LOCAL ADDRESS (Loading). Indicate name and location of contractor who loaded the cargo.

Block 8—STORAGE CONTRACT. Enter the number of the contract under which material is placed in commercial storage where applicable.

Block 9—TERMINAL OR REFINERY SHIPPED FROM, CITY, STATE AND/OR LOCAL ADDRESS. Indicate source of cargo.

Block 10—ORDER NO. ON SUPPLIER. Make same entry appearing on loading report.

Block 11—SHIPPED TO: (Receiving Activity, City, State and/or Local Address). Enter receiving activity's name and location.

Block 12—B/L NUMBER. Enter as appears on loading report.

Block 13—REQN. OR REQUEST NO. Leave blank.

Block 14—CARGO NO. Enter cargo number shown on loading report.

Block 15—VESSEL. Enter name of tanker or barge discharging cargo.

Block 16—DRAFT ARRIVAL. Enter draft of vessel upon arrival at dock.

Block 17—DRAFT SAILING. Enter draft of vessel after discharging.

Block 18—PREVIOUS TWO CARGOES. Leave blank.

Block 19—PRIOR INSPECTION. Enter the name and location of the Government office which inspected the cargo loading.

Block 20—CONDITION OF SHORE PIPELINE. Indicate condition of line (full or empty) before and after discharging.

Block 21—APPROPRIATION (Loading). Leave blank.

Block 22—CONTRACT ITEM NO. Enter the item number shown on the loading report.

Block 23—PRODUCT. Enter information appearing in Block 23 of the loading report.

Block 24—SPECIFICATIONS. Enter information appearing in Block 24 of the loading report.

MATERIAL INSPECTION AND RECEIVING REPORT

Block 25—STATEMENT OF QUANTITY. Enter applicable data in proper columns.

(a) "LOADED" figures shall be taken from the loading report.

(b) Quantities discharged shall be determined from shore tank gauges at destination.

(c) If a grade of product is discharged at more than one point, the loss or gain for that product shall be calculated by the final discharge point. Amounts previously discharged shall be as reported on discharge reports prepared by the previous discharge points. Volume figures shall be transmitted by routine message to the final discharge point in advance of mailed documents to expedite the loss or gain calculation and provide proration data when more than one department is involved.

(d) The loss or gain percentage shall be entered in the "PERCENT" column followed by "LOSS" or "GAIN" as applicable.

(e) On destination acceptance shipments, accomplish the "DISCHARGED" column only, unless instructed to the contrary.

Block 26—STATEMENT OF QUALITY.

(a) Under the heading "TESTS" enter the verification tests performed on the cargo preparatory to discharge.

(b) Under "SPECIFICATION LIMITS" enter the limits, including authorized departures (if any) appearing on the loading report, for the tests performed.

(c) Enter the results of tests performed under the heading "TEST RESULTS."

Block 27—TIME STATEMENT. Line out "LOAD" and "LOADING." Complete all applicable entries of the time statement using local time. The dates and times shall be taken from either the vessel or shore facility log. The Government representative shall assure that these logs are in agreement with entries used. If the vessel and shore facility logs are not in agreement, the Government representative will explain the reason(s) in Block 28—REMARKS. Date and time vessel left berth shall not be entered on documents placed aboard the vessel but shall appear on all other copies. All dates shall be expressed in the sequence of day, month and year with the month spelled out or abbreviated (e.g., 10 Sept 67).

Block 28—REMARKS. Use this space for reporting important facts such as:

(a) Delays, their cause and responsible party (vessel, shore facility, Government representative, or other).

(b) Abnormal individual losses contributing to the total loss. The cause of such losses shall be indicated as well as actual or estimated volumes involved. Such losses shall include, but not be restricted to, product remaining aboard (indicate tanks in which contained), spillages, line breaks etc. Where gravity group change of receiving tank contents results in a fictitious loss or gain, such fact shall be noted. Irregularities observed on comparing vessel ullages obtained at loading point with those at the discharge point shall be noted if indicative of an abnormal transportation loss or contamination.

Block 29—COMPANY OR RECEIVING TERMINAL. Line out "COMPANY OR." Secure the signature of a representative of the receiving terminal. The signature shall be applied to the master ditto or all copies of the form.

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ARMED SERVICES PROCUREMENT REGULATION

Block 30—Certification by Government Representative. Line out "LOADED." The Government representative shall date and sign the completed master ditto or all copies of the form to certify inspection and acceptance, as applicable, by the Government. The name of the individual signing the certification as well as the names applied in Blocks 29 and 31 shall be typed or hand lettered on the master or all copies of the form. The signature in Block 30 must agree with the typed or lettered name to be acceptable to the paying office.

Block 31—Certification by Master or Agent. Obtain the signature of the master of the vessel or the vessel's agent. The signature shall be applied to the master ditto or all copies of the form.

Part 7—Distribution of the DD Form 250–1

I–701 Distribution.

(a) The completed DD Form 250–1 shall be distributed by the Government representative in accordance with Table 3 of this Appendix as may be amended by the provisions of the contract or shipping order.

(b) The contractor shall furnish the Government representative sufficient copies of the completed form to permit the required distribution.

(c) Distribution of the form shall be made as soon as possible but not later than 24 hours following completion of the form.

[See Table 3 on following pages]

I–702 Corrected DD Form 250–1. When errors are made in entries on the form which would affect payment or accountability, corrected copies shall be made. Entries corrected shall be encircled on all copies, the form plainly identified as "CORRECTED COPY" and distribution made to all recipients of the original distribution.

TABLE 3 **DD FORM 250-1 DISTRIBUTION**

Type of Shipment	Recipient of DD Form 250-1	Number of Copies: Loading Tanker (Prepared by Shipper/Govt. Representative)	Loading Barge (Prepared by Shipper/Govt. Representative)	Discharge Tanker (Prepared by Receiving Activity)	Discharge Barge (Prepared by Receiving Activity)
On all overseas shipments provide for a minimum of 4 consignees. Place 1 copy (attached to ullage report) in each of 4 envelopes & mark envelopes "Consignee-First Destination," "Consignee-Second Destination," etc., for delivery via the tanker.	Each Consignee By mail (CONUS shipments only) With Shipment	2 1	1 1	(as required)	(as required)
	Master of Vessel	1	1	1	1
	Tanker or Barge Agent	2	2	2	2
	Contractor	(as required)	(as required)	(as required)	(as required)
	Cognizant Inspection Office	1	1	1	1
	Government Representative at each Destination Responsible for Quality	1	1	1	1
	Government Representative at Cargo Loading Point	1	1	1*	1*
On all USNS tankers and all MSC chartered tankers and MSC chartered barges.	Military Sealift Command Code 331 Washington, DC 20390	2	2	2	2
See contract or shipping order for finance documentation and any supplemental requirements for Government-owned product shipments and receipts.	Payment Office: If this is DASC-F, send copies to Defense Fuel Supply Center ATTN: DFSC-CDX, Cameron Station Bldg 5, Alexandria, VA 22314 (Do not send copies to DASC-F)	2	2	2	2

*With copy of ullage report.

TABLE 3—Continued

Type of Shipment	Recipient of DD Form 250-1	Number of Copies: Loading Tanker (Prepared by Shipper/Govt. Representative)	Loading Barge (Prepared by Shipper/Govt. Representative)	Discharge Tanker (Prepared by Receiving Activity)	Discharge Barge (Prepared by Receiving Activity)
For shipments and receipts of DFSC financed cargoes for which DASC-F is not the Paying Office.	Accounting Office, DFSC, ATTN: DFSC-CD, Cameron Station, Alexandria, VA 22314	1	1	1	1
For shipments on all USNS tankers, MSC chartered tankers & barges, & FOB destination tankers with copy of ullage report.	DFSC-OC, Cameron Station Alexandria, VA 22314	1	1	1**	1
On Army ILP shipments.	US Army International Logistics Center New Cumberland Army Depot New Cumberland, PA 17070	2	2	2	2
NAVY On all shipments to Navy-Operated Terminals	Navy Fuel Petroleum Office Cameron Station Alexandria, VA 22314	2	1	2	1
On all shipments to AF bases	Directorate of Energy Mgmt SA ALC (SFQ) Kelly AFB, TX 78241	1	1	1	1
On all CONUS loadings.	DFSC Fuel Region(s) cognizant of Shipping Point	1	1	1	1
On all shipments to CONUS Destinations.	DFSC Fuel Region(s) cognizant of Shipping and Receiving Point	1	1	0	0
For all discharges of cargoes originating at DFSPs & discharging at activities not a Defense Fuel Support Point	Accounting Office, DFSC ATTN: DFSC-CD Cameron Station Alexandria, VA 22314			1***	1***

**Dry Tank certificate to accompany DD Form 250-1 and ullage report.

*** The copies of DD Form 250-1, forwarded by bases, will include the following in Block 11: Shipped to: Supplementary Address, if applicable; Signal Code; and Fund Code.

TABLE 4 JOINT PETROLEUM OFFICES
(Areas and Addresses)

Command	*Area*
LANTCOM	Antilles, Bahamas, Bermuda, Cuba, Azores, Iceland, Ascension Island for Navy terminals in United Kingdom, Norway, and Portugal
USEUCOM	Western Europe, United Kingdom, Mediterranean, Turkey, Africa, Madagascor, and Middle East West of Pakistan
PACOM	Taiwan, Hawaii, Marianas, Philippines, Japan, Korea, Ryukyus, Australia, New Zealand, Burma, Thailand, Malaya, East Indies, South Pacific Islands, Ceylon, Southern Asia East of Iran, and Diego Garcia
SOCOM	Central and South America

Commands	*Correspondence Addresses*	*Message Addresses*
CINCLANT	Commander-in-Chief Atlantic Command ATTN: JPO Norfolk, Va. 23511	JPO CINCLANT
USCINCEUR	Headquarters United States Command ECJ4/7-LOJPO APO New York 09128	JPO USCINCEUR
CINCPAC	Joint Petroleum Office (JPO) Staff CINCPAC Box 20 Camp H. M. Smith, HI 96861	JPO CINCPAC
USCINCSO	Commander-in-Chief U.S. Southern Command ATTN: JPO APO New York 09826	JPO USCINCSO

[The next page is I:33.]

(v) make the form a part of the official contract file and close out the file as provided in S2-401(ii).

(b) When the contract administration office is advised by the purchasing office of a revision in the closeout date (see S2-302.2(b)), and the revised closeout date falls within another file cut-off period, the contract administration office shall transfer its file to the appropriate completed series.

S2-304 **Closeout of Contract Files by Paying Office.** The paying office shall close out each contract file upon issuance of the final payment voucher.

S2-305 **Standard Times for Contract Closing.**

(a) Standard times for closing physically completed contracts are set forth below.

CATEGORY	*CONTRACT*	*CALENDAR MONTHS AFTER THE MONTH IN WHICH PHYSICALLY COMPLETED*
A	Fixed Price Unilateral Purchase Orders	3
B	Firm Fixed Price (Exclude "A" above)	6
C	Contracts Requiring Settlement of Overhead Rates	36
D	All other (Excluding "A" through "C" above)	20

(b) Time standards established in this Part are based upon the time required for closing the majority of contracts. It is recognized that delays beyond the above standards may occur (such as in the case of terminations). Where delays occur, contracts shall be reported in accordance with S2-306.

S2-306 **Status of Physically Completed Unclosed Contracts.** Contract Administration Offices shall advise the appropriate procuring contracting officers within 15 days after the end of the month following the month in which a physically completed contract has not been closed within the time periods specified in S2-305(a). This advise shall include the reasons for the delay, and the target date which has been set for closing. If the contract is not closed by the target date specified, the contract administration office shall, unless information is requested earlier by the PCO, advise the PCO of the reasons for the further delay and the new target date. MILSCAP Format Identifier PKX, Unclosed Contract Status, shall be used to provide this advice to the PCO when MILSCAP procedures apply.

[The next page is S2-19]

Part 4—Review, Separation, and Retirement of Completed Contract Files

S2-401 Review of Contract Case and Cross Reference/Locator Files. Upon determination of contract completion under the procedures outlined in Part 3 of this Supplement, each office shall review all files pertaining to the individual contract as follows:

(i) *duplicate or working contract case file*—remove any original or official file copies of documents and place them in the appropriate "official" file; destroy immediately any remaining material, or segregate and mark it for early disposal (see S2-504);

(ii) *official contract case file*—remove folder for completed contract from the active file series, mark each folder or folder tab "Completed (Date)" and place folder in completed (inactive) contract file series; separate series should be established for contracts of $10,000 or less and for contracts of more than $10,000, to facilitate later disposal (see S2-501); and

(iii) *cross reference/locator files*—remove any contract cross-reference data forms relating to the completed contract, mark each "Completed (Date)", and place them in completed (inactive) cross-reference/locator file series for later disposal (see S2-503).

S2-402 Review of Contractor General Files. Each office shall review contractor general files at least once annually and:

(i) remove obsolete and superseded documents relating generally to the contractor (*e.g.*, documents no longer pertinent to any aspect of contractor's current or future capability, performance, or programs, and documents relating to a contractor who is no longer a possible source of supplies, services, or technical assistance) and dispose as authorized in S2-502(a); and

(ii) remove any documents pertaining only to completed contracts, place those not routine in nature in inactive contractor file for later disposal (see S2-502(b)), and immediately dispose of routine documents as authorized in S2-502(b).

S2-403 Retirement of Completed Files. Completed files series shall be cut off at least annually, and new series begun to facilitate destruction in blocks—normally annual blocks. The cut-off series shall be held in the office maintaining the records for an additional period not to exceed one year and then stored locally in record-holding or staging areas, if available, until they are eligible for destruction (see Part 5); when such space is not available, the files shall then be transferred to the General Services Administration Federal Records Center servicing the area. Completed cross reference/locator files shall be held locally until eligible for destruction.

[The next page is S2-21]

*U.S. GOVERNMENT PRINTING OFFICE : 1981 0-361-335/W-104

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BILLING CODE 3810-01-C

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[A-7-FRL-2057-7]

Approval and Promulgation of Implementation Plans; Iowa

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rulemaking.

SUMMARY: This document approves as part of the Iowa State Implementation Plan (SIP), the state's schedule for conducting studies of sources of particulate matter that have not traditionally been controlled and for implementing the results of those studies as control strategies. The schedule is required by a conditional approval of the Iowa SIP.

EFFECTIVE DATE: April 5, 1982.

ADDRESSES: The state submission is available at the Environmental Protection Agency, 324 East 11th Street, Kansas City, Missouri; the Iowa Department of Environmental Quality, Henry A. Wallace Building, 900 East Grand, Des Moines, Iowa; the Environmental Protection Agency, Public Information Reference Unit, Room 2922, 401 M Street SW., Washington, D.C.; and the Office of the Federal Register, 1100 L Street NW., Room 8401, Washington, D.C.

FOR FURTHER INFORMATION CONTACT: Daniel J. Wheeler at (816) 374-3791, FTS (758-3791).

SUPPLEMENTARY INFORMATION: On November 6, 1981 (46 FR 55123), EPA proposed to approve a state submission intended to satisfy a condition of approval of the Iowa SIP.

The condition, applicable to areas in Iowa designated nonattainment for the primary and secondary total suspended particulate (TSP) ambient air quality standards (see 46 FR 22369, April 17, 1981), required the state to submit a commitment and schedule for completing studies and expeditiously implementing the results of the studies in the form of control strategies.

A schedule was submitted on June 26, 1981, which provided for studies of nontraditional source of particulate matter and for implementation by December 1983 of any control strategies found to be effective. A more detailed discussion of the state submission is in the November 6 proposal. No comments were received during the public comment period.

This schedule constitutes a proposed nonregulatory revision to the Iowa SIP. The Administrator's decision to approve the proposed revision is based on a determination that the revision meets the requirements of Sections 110 and 172 of the Clean Air Act and of 40 CFR Part 51, Requirements for Preparation, Adoption and Submittal of State Implementation Plans. This revision is hereby approved as part of the Iowa SIP.

Pursuant to the provisions of 5 U.S.C. 605(b) I hereby certify that the attached rule will not have a significant economic impact on a substantial number of small entities. The reason for this determination is that this revision only approves actions of the state and does not impose any requirements on any businesses.

The Office of Management and Budget has exempted this rule from the requirements of section 3 of Executive Order 12291.

This rulemaking is issued under the authority of sections 110, 172, and 301 of the Clean Air Act, as amended (42 U.S.C. 7410, 7502 and 7601).

Dated: February 26, 1982.

Anne M. Gorsuch,

Administrator.

Note.—Incorporation by reference of the State Implementation Plan for the State of Iowa was approved by the Director of the Federal Register on July 1, 1981.

PART 52—APPROVAL AND PROMULGATION OF IMPLEMENTATION PLANS

Part 52 of Chapter I, Title 40 of the Code of Federal Regulations is amended as follows:

Subpart Q—Iowa

1. Section 52.820 is amended by adding paragraph (c)(39) as follows:

§ 52.820 Identification plan.

* * * * *

(c) The plan revisions listed below were submitted on the dates specified:

* * * * *

(39) A schedule for studying nontraditional sources of particulate matter and for implementing the results of the studies in the form of control strategies was submitted on June 26, 1981 by the Department of Environmental Quality. (Non-Regulatory)

§ 52.826 [Amended]

2. Section 52.826 is amended by removing paragraph (e).

[FR Doc. 82-6084 Filed 3-4-82; 8:45 am]

BILLING CODE 6560-38-M

40 CFR Part 52

[A-1-FRL-2049-2]

Approval and Promulgation of Implementation Plans; Maine Revision to Department Regulation on Petroleum Liquid Transfer Vapor Recovery

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final Rule.

SUMMARY: The purpose of this Notice is to approve the State Implementation Plan (SIP) revision to exempt Irving Oil Corporation from Maine's Department Regulation 112, Petroleum Liquid Transfer Vapor Recovery, submitted on October 23, 1981 by the Maine Department of Environmental Protection (DEP). This action will be effective 60 days from the date of this Final Rulemaking Notice unless notice is received within 30 days that adverse or critical comments will be submitted.

EFFECTIVE DATE: May 4, 1982.

ADDRESSES: Copies of the Maine submittal and EPA's evaluation are available for public inspection during normal business hours at the Environmental Protection Agency, Region I, Room 1903, JFK Federal Building, Boston, Massachusetts 02203; Public Information Reference Unit, Environmental Protection Agency, 401 M St. SW. Washington, D.C. 20460; the Office of the Federal Register, 1100 L Street, NW, Washington, DC; and the Department of Environmental Protection (DEP), Bureau of Air Quality Control, Ray Building, Hospital Street, Augusta, Maine 04330.

FOR FURTHER INFORMATION CONTACT: Cynthia L. Greene, Air Branch, EPA Region I, Room 1903, JFK Federal Building, Boston, Massachusetts 02203, (617) 223-5630.

SUPPLEMENTARY INFORMATION: In a Final Rulemaking Notice, published February 19, 1980 (45 FR 10767), EPA approved Maine Department Regulation Chapter 112, Petroleum Liquid Transfer Vapor Recovery. The regulation requires bulk gasoline terminals that load tank trucks or trailers, and that pump more than 20,000 gallons of gasoline per day to install a vapor control system. It went into effect on May 7, 1979 and became

part of the 1979 State Implementation Plan (SIP). On November 17, 1981, EPA received the Maine Department of Environmental Protection's (DEP) October 23, 1981 submittal of a revision to Department Regulation Chapter 112 to exempt the town of Searsport, Maine. Since Irving Oil Corporation (Irving) is the only petroleum liquid transfer facility in Searsport it is the only source exempted from the regulation.

Under existing Maine SIP requirements, Irving is required to recover the volatile organic compound (VOC) emissions that escape during the loading of gasoline into tank trucks at its facility. The two forms of VOC control for petroleum liquid transfer are bottom loading and top loading. Bottom loading is the state-of-the-art control method, and it is the method of control preferred by the industry and EPA. However, bottom loading requires that each tank truck be retrofitted at a cost estimated to be between $3,200 and $5,600 per truck. The independent dealers that presently buy gasoline from the Irving facility have indicated that they will not retrofit their trucks for bottom loading if the facility is required to comply with Department Regulation 112. Rather, they will buy their gasoline from facilities 11 miles away in the Downeast Air Quality Control Region (AQCR) where vapor recovery is not required.

Vapor recovery through top loading only requires that the facility retrofit and not the tank trucks. However, top loading is more expensive to install than bottom loading, and because it is administered by an operator on top of the truck, it is dangerous in winter icy conditions. Therefore, if Irving was to retrofit, it would opt to control by using bottom loading. Although Irving has calculated that for new equipment, electricity, labor, maintenance and debt service, $250 would be spent for bottom loading per day only $50 worth of gasoline would be recovered per day. The net loss of $200 per day would be passed on to the company's customers. The state has thus determined that neither of the vapor recovery systems is reasonably available control technology (RACT) for this facility.

The state has therefore modified Department Regulation Chapter 112 to exempt Irving. In the October 23, 1981 submittal letter, the DEP Commissioner, Henry E. Warren, committed the state to reevaluate this RACT determination for Irving if gasoline terminals in the Downeast AQCR are equipped with VOC controls or if the Downeast AQCR is designated nonattainment. EPA concurs with this approach and agrees that vapor recovery is not RACT for Irving at this time.

EPA is approving this amendment to Department Regulation Chapter 112 without prior proposal because the agency views this as a noncontroversial amendment and anticipates no comments. This action will be effective 60 days from the date of this **Federal Register** unless, within 30 days from the date of this **Federal Register**, notice is received that adverse or critical comments will be submitted. If such notice is received, the Region will publish a subsequent notice to withdraw this Direct-to-Final action before the effective date, announce a proposal action, and establish a comment period.

Action: EPA is approving this SIP revision.

Pursuant to the provisions of U.S.C. Section 605(b) I hereby certify that the present rule will not have a significant economic impact on a substantial number of small entities, and it imposes no new requirements. In addition, this action applies to only one facility.

The office of Management and Budget has exempted this rule from the requirements of section 3 of Executive Order 12291.

Under Section 307(b)(1) of the Clean Air Act judicial review of this action is available *only* by the filing of a petition for review in the United States Court of Appeals for the appropriate circuit within 60 days of today. Under Section 307(b)(2) of the Clean Air Act, the requirements which are the subject of today's notice may *not* be challenged later in civil or criminal proceedings brought by EPA to enforce these requirements.

(Sec. 301(a), Clean Air Act, is amended (42 U.S.C. 7410(a) and 7601(a)))

Dated: February 26, 1982.

Anne M. Gorsuch,

Administrator.

Note:—Incorporation by reference of the State Implementation Plan for the State of Maine was approved by the Director of the Federal Register on July 1, 1981.

PART 52—APPROVAL AND PROMULGATION OF IMPLEMENTATION PLANS

Part 52 of Chapter I, Title 40 of the Code of Federal Regulations is amended as follows:

Section 52.1020 paragraph (c) is amended by adding subparagraph (16) as follows:

§ 52.1020 Identification of plan.

* * * * *

(c) * * *

(16) Department Regulation Chapter 112, Petroleum Liquid Transfer Vapor Recovery, is amended to exempt the town of Searsport, Maine from this regulation. This amendment was submitted by Henry E. Warren, Commissioner of the Department of Environmental Protection on October 23, 1981, in order to meet Part D requirements for ozone.

[FR Doc. 82-26031 Filed 3-4-82; 8:45 am]

BILLING CODE 6560-38-M

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40 CFR Part 52

[A-2-FRL-2047-7]

Approval and Promulgation of Implementation Plans; Revision to the New York State Implementation Plan

AGENCY: Environmental Protection Agency.

ACTION: Final rule.

SUMMARY: This notice announces approval by the Environmental Protection Agency (EPA) of a revision to the New York State Implementation Plan (SIP). This action has the effect of allowing the General Electric Company to burn fuel oil with a maximum sulfur content of 2.8 percent, by weight, at its Rotterdam Steam Generating Facility located in Schenectady, New York, for up to three years from March 5, 1982. Receipt of this implementation plan revision request from the State was announced in the **Federal Register** on December 8, 1981 at 46 FR 60016, where its provisions are fully described.

EFFECTIVE DATE: March 5, 1982.

ADDRESSES: Copies of the SIP revision submitted by New York State and the public comment received on EPA's proposal are available for inspection during normal business hours at the following addresses:

Environmental Protection Agency, Air Programs Branch—Room 1005, Region II Office, 26 Federal Plaza, New York, New York 10278.

Environmental Protection Agency, Public Information Reference Unit, 401 M Street, SW., Washington, D.C. 20460.

Copies of the State's submission are also available for inspection during normal business hours at the following location: The Office of the Federal Register, 1100 L Street, NW., Room 8401, Washington, D.C. 20408.

FOR FURTHER INFORMATION CONTACT: William S. Baker, Chief, Air Programs Branch, Environmental Protection Agency, Region II Office, 26 Federal Plaza, New York, New York 10278, (212) 264-2517.