Title 48
Federal Acquisition Regulations System
Chapter 2 (Parts 201 to 299)

Revised as of October 1, 2011

Containing a codification of documents of general applicability and future effect

As of October 1, 2011

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# Table of Contents

**Explanation** ............................................................................................................... v

**Title 48:**

- Chapter 2—Defense Acquisition Regulations System, Department of Defense ........................ 3

**Finding Aids:**

- Table of CFR Titles and Chapters .......................................................... 589
- Alphabetical List of Agencies Appearing in the CFR .............................. 609
- List of CFR Sections Affected ................................................................. 619
Cite this Code: CFR

To cite the regulations in this volume use title, part and section number. Thus, 48 CFR 201.104 refers to title 48, part 201, section 104.
The Code of Federal Regulations is a codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies of the Federal Government. The Code is divided into 50 titles which represent broad areas subject to Federal regulation. Each title is divided into chapters which usually bear the name of the issuing agency. Each chapter is further subdivided into parts covering specific regulatory areas.

Each volume of the Code is revised at least once each calendar year and issued on a quarterly basis approximately as follows:

- Title 1 through Title 16........................as of January 1
- Title 17 through Title 27............................as of April 1
- Title 28 through Title 41............................as of July 1
- Title 42 through Title 50............................as of October 1

The appropriate revision date is printed on the cover of each volume.

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The Code of Federal Regulations is kept up to date by the individual issues of the Federal Register. These two publications must be used together to determine the latest version of any given rule.

To determine whether a Code volume has been amended since its revision date (in this case, October 1, 2011), consult the “List of CFR Sections Affected (LSA),” which is issued monthly, and the “Cumulative List of Parts Affected,” which appears in the Reader Aids section of the daily Federal Register. These two lists will identify the Federal Register page number of the latest amendment of any given rule.

EFFECTIVE AND EXPIRATION DATES

Each volume of the Code contains amendments published in the Federal Register since the last revision of that volume of the Code. Source citations for the regulations are referred to by volume number and page number of the Federal Register and date of publication. Publication dates and effective dates are usually not the same and care must be exercised by the user in determining the actual effective date. In instances where the effective date is beyond the cutoff date for the Code a note has been inserted to reflect the future effective date. In those instances where a regulation published in the Federal Register states a date certain for expiration, an appropriate note will be inserted following the text.

OMB CONTROL NUMBERS

The Paperwork Reduction Act of 1980 (Pub. L. 96-511) requires Federal agencies to display an OMB control number with their information collection request.
Many agencies have begun publishing numerous OMB control numbers as amendments to existing regulations in the CFR. These OMB numbers are placed as close as possible to the applicable recordkeeping or reporting requirements.

OBSOLETE PROVISIONS

Provisions that become obsolete before the revision date stated on the cover of each volume are not carried. Code users may find the text of provisions in effect on a given date in the past by using the appropriate numerical list of sections affected. For the period before April 1, 2001, consult either the List of CFR Sections Affected, 1949–1963, 1964–1972, 1973–1985, or 1986–2000, published in eleven separate volumes. For the period beginning April 1, 2001, a “List of CFR Sections Affected” is published at the end of each CFR volume.

“[RESERVED]” TERMINOLOGY

The term “[Reserved]” is used as a place holder within the Code of Federal Regulations. An agency may add regulatory information at a “[Reserved]” location at any time. Occasionally “[Reserved]” is used editorially to indicate that a portion of the CFR was left vacant and not accidentally dropped due to a printing or computer error.

INCORPORATION BY REFERENCE

What is incorporation by reference? Incorporation by reference was established by statute and allows Federal agencies to meet the requirement to publish regulations in the Federal Register by referring to materials already published elsewhere. For an incorporation to be valid, the Director of the Federal Register must approve it. The legal effect of incorporation by reference is that the material is treated as if it were published in full in the Federal Register (5 U.S.C. 552(a)). This material, like any other properly issued regulation, has the force of law.

What is a proper incorporation by reference? The Director of the Federal Register will approve an incorporation by reference only when the requirements of 1 CFR part 51 are met. Some of the elements on which approval is based are:

(a) The incorporation will substantially reduce the volume of material published in the Federal Register.

(b) The matter incorporated is in fact available to the extent necessary to afford fairness and uniformity in the administrative process.

(c) The incorporating document is drafted and submitted for publication in accordance with 1 CFR part 51.

What if the material incorporated by reference cannot be found? If you have any problem locating or obtaining a copy of material listed as an approved incorporation by reference, please contact the agency that issued the regulation containing that incorporation. If, after contacting the agency, you find the material is not available, please notify the Director of the Federal Register, National Archives and Records Administration, 8601 Adelphi Road, College Park, MD 20740-6001, or call 202-741-6010.

CFR INDEXES AND TABULAR GUIDES

A subject index to the Code of Federal Regulations is contained in a separate volume, revised annually as of January 1, entitled CFR INDEX AND FINDING AIDS. This volume contains the Parallel Table of Authorities and Rules. A list of CFR titles, chapters, subchapters, and parts and an alphabetical list of agencies publishing in the CFR are also included in this volume.

An index to the text of “Title 3—The President” is carried within that volume.
The Federal Register Index is issued monthly in cumulative form. This index is based on a consolidation of the “Contents” entries in the daily Federal Register.

A List of CFR Sections Affected (LSA) is published monthly, keyed to the revision dates of the 50 CFR titles.

REPUBLICATION OF MATERIAL

There are no restrictions on the republication of material appearing in the Code of Federal Regulations.

INQUIRIES

For a legal interpretation or explanation of any regulation in this volume, contact the issuing agency. The issuing agency’s name appears at the top of odd-numbered pages.

For inquiries concerning CFR reference assistance, call 202-741-6000 or write to the Director, Office of the Federal Register, National Archives and Records Administration, 8601 Adelphi Road, College Park, MD 20740-6001 or e-mail fedreg.info@nara.gov.

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RAYMOND A. MOSLEY,
Director,
Office of the Federal Register.
October 1, 2011.
Title 48—Federal Acquisition Regulations System is composed of seven volumes. The chapters in these volumes are arranged as follows: Chapter 1 (parts 1 to 51), chapter 1 (parts 52 to 99), chapter 2 (parts 201 to 299), chapters 3 to 6, chapters 7 to 14, chapters 15 to 28 and chapter 29 to end. The contents of these volumes represent all current regulations codified under this title of the CFR as of October 1, 2011.

The Federal acquisition regulations in chapter 1 are those government-wide acquisition regulations jointly issued by the General Services Administration, the Department of Defense, and the National Aeronautics and Space Administration. Chapters 2 through 99 are acquisition regulations issued by individual government agencies. Parts 1 to 69 in each of chapters 2 through 99 are reserved for agency regulations implementing the Federal acquisition regulations in chapter 1 and are numerically keyed to them. Parts 70 to 99 in chapters 2 through 99 contain agency regulations supplementing the Federal acquisition regulations.

The OMB control numbers for the Federal Acquisition Regulations System appear in section 1.106 of chapter 1. For the convenience of the user section 1.106 is reprinted in the Finding Aids section of the second volume containing chapter 1 (parts 52 to 99).

The first volume, containing chapter 1 (parts 1 to 51), includes an index to the Federal acquisition regulations.

For this volume, Jonn V. Lilyea was Chief Editor. The Code of Federal Regulations publication program is under the direction of Michael L. White, assisted by Ann Worley.
Title 48—Federal Acquisition Regulations System

(This book contains chapter 2, parts 201 to 299)
<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>224</td>
<td>Protection of privacy and freedom of information</td>
</tr>
<tr>
<td>225</td>
<td>Foreign acquisition</td>
</tr>
<tr>
<td>226</td>
<td>Other socioeconomic programs</td>
</tr>
</tbody>
</table>

**SUBCHAPTER E—GENERAL CONTRACTING REQUIREMENTS**

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>227</td>
<td>Patents, data, and copyrights</td>
</tr>
<tr>
<td>228</td>
<td>Bonds and insurance</td>
</tr>
<tr>
<td>229</td>
<td>Taxes</td>
</tr>
<tr>
<td>230</td>
<td>Cost accounting standards administration</td>
</tr>
<tr>
<td>231</td>
<td>Contract cost principles and procedures</td>
</tr>
<tr>
<td>232</td>
<td>Contract financing</td>
</tr>
<tr>
<td>233</td>
<td>Protests, disputes, and appeals</td>
</tr>
</tbody>
</table>

**SUBCHAPTER F—SPECIAL CATEGORIES OF CONTRACTING**

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>234</td>
<td>Major system acquisition</td>
</tr>
<tr>
<td>235</td>
<td>Research and development contracting</td>
</tr>
<tr>
<td>236</td>
<td>Construction and architect-engineer contracts</td>
</tr>
<tr>
<td>237</td>
<td>Service contracting</td>
</tr>
<tr>
<td>239</td>
<td>Acquisition of information technology</td>
</tr>
<tr>
<td>241</td>
<td>Acquisition of utility services</td>
</tr>
</tbody>
</table>

**SUBCHAPTER G—CONTRACT MANAGEMENT**

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>242</td>
<td>Contract administration and audit services</td>
</tr>
<tr>
<td>243</td>
<td>Contract modifications</td>
</tr>
<tr>
<td>244</td>
<td>Subcontracting policies and procedures</td>
</tr>
<tr>
<td>245</td>
<td>Government property</td>
</tr>
<tr>
<td>246</td>
<td>Quality assurance</td>
</tr>
<tr>
<td>247</td>
<td>Transportation</td>
</tr>
<tr>
<td>249</td>
<td>Termination of contracts</td>
</tr>
<tr>
<td>250</td>
<td>Extraordinary contractual actions and the Safety Act</td>
</tr>
<tr>
<td>251</td>
<td>Use of Government sources by contractors</td>
</tr>
</tbody>
</table>

**SUBCHAPTER H—CLAUSES AND FORMS**

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>252</td>
<td>Solicitation provisions and contract clauses</td>
</tr>
<tr>
<td>253</td>
<td>Forms</td>
</tr>
</tbody>
</table>

**SUBCHAPTER I—AGENCY SUPPLEMENTARY REGULATIONS**

Appendix A—Armed Services Board of Contract Appeals .............................................................. 551
Appendixes B–E [Reserved]
Appendix F—Material Inspection and Receiving Report ................................................................. 561
Appendix G [Reserved]
Appendix H—Debarment and Suspension Procedures ..................................................................... 578
Appendix I—Policy and Procedures for the DOD Pilot Mentor-Protege Program ............................. 579
SUBCHAPTER A—GENERAL

PART 201—FEDERAL ACQUISITION REGULATIONS SYSTEM

Subpart 201.1—Purpose, Authority, Issuance

Sec.
201.104 Applicability.
201.106 Issuance.
201.109 Certifications.
201.109 Statutory acquisition-related dollar thresholds-adjustment for inflation.
201.170 Peer Reviews.

Subpart 201.2—Administration

201.201 Maintenance of the FAR.
201.201–1 The two councils.
201.201–70 Maintenance of Procedures, Guidance, and Information.

Subpart 201.3—Agency Acquisition Regulations

201.301 Policy.
201.303 Publication and codification.
201.304 Agency control and compliance procedures.

Subpart 201.4—Deviations From the FAR

201.402 Policy.
201.402–1 The two councils.
201.402–70 Individual deviations.
201.402–71 Class deviations.

Subpart 201.6—Career Development, Contracting Authority, and Responsibilities

201.602 Contracting officers.
201.602–1 Responsibilities.
201.602–70 Contract clause.
201.603 Selection, appointment, and termination of appointment.
201.603–2 Selection.
201.603–3 Appointment.
201.670 Appointment of property administrators and plant clearance officers.


Source: 56 FR 36284, July 31, 1991, unless otherwise noted.

Subpart 201.1—Purpose, Authority, Issuance

201.104 Applicability.

The FAR and the Defense Federal Acquisition Regulation Supplement (DFARS) also apply to purchases and contracts by DoD contracting activities made in support of foreign military sales or North Atlantic Treaty Organization cooperative projects without regard to the nature or sources of funds obligated, unless otherwise specified in this regulation.

[56 FR 36284, July 31, 1991. Redesignated at 64 FR 39430, July 22, 1999]

201.105 Issuance.

201.105–3 Copies.


[69 FR 63326, Nov. 1, 2004]

201.107 Certifications.

In accordance with section 29 of the Office of Federal Procurement Policy Act (41 U.S.C. 1304), a new requirement for a certification by a contractor or offeror may not be included in the DFARS unless—

(1) The certification requirement is specifically imposed by statute; or

(2) Written justification for such certification is provided to the Secretary of Defense by the Under Secretary of Defense (Acquisition, Technology, and Logistics), and the Secretary of Defense approves in writing the inclusion of such certification requirement.


201.109 Statutory acquisition-related dollar thresholds-adjustment for inflation.

(d) A matrix showing the most recent escalation adjustments of statutory acquisition-related dollar thresholds is available at PGI 201.109.


201.170 Peer Reviews.

(a) Acquisitions valued at $1 billion or more.

(1) The Office of the Director, Defense Procurement and Acquisition
Policy, will organize teams of reviewers and facilitate Peer Reviews for solicitations and contracts valued at $1 billion or more, as follows:

(i) Pre-award Peer Reviews will be conducted for all solicitations valued at $1 billion or more (including options).

(ii) Post-award Peer Reviews will be conducted for all contracts for services valued at $1 billion or more (including options).

(iii) Reviews will be conducted using the procedures at PGI 201.170.

(2) To facilitate planning for Peer Reviews, the military departments, defense agencies, and DoD field activities shall provide a rolling annual forecast of acquisitions with an anticipated value of $1 billion or more (including options) at the end of each quarter (i.e., March 31; June 30; September 30; December 31), to the Deputy Director, Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), 3060 Defense Pentagon, Washington, DC 20301–3060.

(b) Acquisitions valued at less than $1 billion. The military departments, defense agencies, and DoD field activities shall establish procedures for—

(1) Pre-award Peer Reviews of solicitations valued at less than $1 billion; and

(2) Post-award Peer Reviews of contracts for services valued at less than $1 billion.

Subpart 201.2—Administration

201.201 Maintenance of the FAR.

201.201–1 The two councils.

(c) The composition and operation of the DAR Council is prescribed in DoD Instruction 5000.33, Defense Acquisition Regulations (DAR) System.

(d)(i) Departments and agencies process proposed revisions of FAR or DFARS through channels to the Director of the DAR Council. Process the proposed revision as a memorandum in the following format, addressed to the Director, DAR Council, OUSD(AT&L), 3062 Defense Pentagon, Washington, DC 20301–3062; datafax (703) 602–0350:

I. PROBLEM: Succinctly state the problem created by current FAR and/or DFARS coverage and describe the factual and/or legal reasons necessitating the change to the regulation.

II. Recommendation: Identify the FAR and/or DFARS citations to be revised. Attach as TAB A a copy of the text of the existing coverage, conformed to include the proposed additions and deletions. Indicate deleted coverage with dashed lines through the current words being deleted and insert proposed language in brackets at the appropriate locations within the existing coverage. If the proposed deleted portion is extensive, it may be outlined by lines forming a box with diagonal lines drawn connecting the corners.

III. Discussion: Include a complete, convincing explanation of why the change is necessary and how the recommended revision will solve the problem. Address advantages and disadvantages of the proposed revision, as well as any cost or administrative impact on Government activities and contractors. Identify any potential impact of the change on automated systems, e.g., automated financial and procurement systems. Provide any other background information that would be helpful in explaining the issue.

IV. Collaterals: Address the need for public comment (FAR 1.301(b) and subpart 1.5), the Paperwork Reduction Act, and the Regulatory Flexibility Act (FAR 1.301(c)).

V. Deviations: If a recommended revision of DFARS is a FAR deviation, identify the deviation and include under separate TAB a justification for the deviation that addresses the requirements of 201.402(2). The justification should be in the form of a memorandum for the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics).

(ii) The public may offer proposed revisions of FAR or DFARS by submission of a memorandum, in the format (including all of the information) prescribed in paragraph (d)(i) of this subsection, to the Director of the DAR Council.

[74 FR 37626, July 29, 2009]

Subpart 201.3—Agency Acquisition Regulations

201.301 Policy.

(a)(1) DoD implementation and supplementation of the FAR is issued in the Defense Federal Acquisition Regulation Supplement (DFARS) under authorization and subject to the authority, direction, and control of the Secretary of Defense. The DFARS contains—

(i) Requirements of law;
(ii) DoD-wide policies;
(iii) Delegations of FAR authorities;
(iv) Deviations from FAR requirements; and
(v) Policies/procedures that have a significant effect beyond the internal operating procedures of DoD or a significant cost or administrative impact on contractors or offerors.

(b) When Federal Register publication is required for any policy, procedure, clause, or form, the department or agency requesting Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD (AT&L)) approval for use of the policy, procedure, clause, or form (see 201.304(1)) must include an analysis of the public comments in the request for approval.

201.303 Publication and codification.

(a)(1) The DFARS is codified under chapter 2 in title 48, Code of Federal Regulations.

(ii) To the extent possible, all DFARS text (whether implemental or supplemental) is numbered as if it were implemental. Supplemental numbering is used only when the text cannot be integrated intelligibly with its FAR counterpart.

(A) Implemental numbering is the same as its FAR counterpart, except when the text exceeds one paragraph, the subdivisions are numbered by skipping a unit in the FAR 1.105–2(b)(2) prescribed numbering sequence. For example, three paragraphs implementing FAR 19.501 would be numbered 219.501 (1), (2), and (3) rather than (a), (b), and (c). Three paragraphs implementing FAR 19.501(a) would be numbered 219.501(a) (1), (ii), and (iii) rather than (a) (1), (2), and (3). Further subdivision of the paragraphs follows the prescribed numbering sequence, e.g., 219.501(1)(i)(A)(1).

(B) Supplemental numbering is the same as its FAR counterpart, with the addition of a number of 70 and up or (S–70) and up. Parts, subparts, sections, or subsections are supplemented by the addition of a number of 70 and up. Lower divisions are supplemented by the addition of a number of (S–70) and up. When text exceeds one paragraph, the subdivisions are numbered using the FAR 1.105–2(b)(2) prescribed sequence, without skipping a unit. For example, DFARS text supplementing FAR 19.501 would be numbered 219.501–70. Its subdivisions would be numbered 219.501–70 (a), (b), and (c).

(C) Subdivision numbering below the 4th level does not repeat the numbering sequence. It uses italicized Arabic numbers and then italicized lower case Roman numerals.

(D) An example of DFARS numbering is in Table 1–1, DFARS Numbering.

(iii) Department/agency and component supplements must parallel the FAR and DFARS numbering, except department/agency supplemental numbering uses subsection numbering of 90 and up, instead of 70 and up.

<table>
<thead>
<tr>
<th>FAR</th>
<th>Is implemented as</th>
<th>Is supplemented as</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>219</td>
<td>219.70</td>
</tr>
<tr>
<td>19.5</td>
<td>219.5</td>
<td>219.570</td>
</tr>
</tbody>
</table>
201.304 Agency control and compliance procedures.

Departments and agencies and their component organizations may issue acquisition regulations as necessary to implement or supplement the FAR or DFARS.

(1)(i) Approval of the USD (AT&L) is required before including in a department/agency or component supplement, or any other contracting regulation document such as a policy letter or clause book, any policy, procedure, clause, or form that—

(A) Has a significant effect beyond the internal operating procedures of the agency; or

(B) Has a significant cost or administrative impact on contractors or offerors.

(ii) Except as provided in paragraph (2) of this section, the USD(AT&L) has delegated authority to the Director of Defense Procurement and Acquisition Policy (OUSD(AT&L)DPAP) to approve or disapprove the policies, procedures, clauses, and forms subject to paragraph (1)(i) of this section.

(2) In accordance with section 29 of the Office of Federal Procurement Policy Act (41 U.S.C. 1304), a new requirement for a certification by a contractor or offeror may not be included in a department/agency or component procurement regulation unless—

(i) The certification requirement is specifically imposed by statute; or

(ii) Written justification for such certification is provided to the Secretary of Defense by USD(AT&L), and the Secretary of Defense approves in writing the inclusion of such certification requirement.

(3) Contracting activities must obtain the appropriate approval (see 201.404) for any class deviation (as defined in FAR 1.4) from the FAR or DFARS, before its inclusion in a department/agency or component supplement or any other contracting regulation document such as a policy letter or clause book.

(4) Each department and agency must develop and, upon approval by OUSD(AT&L)DPAP, implement, maintain, and comply with a plan for controlling the use of clauses other than those prescribed by FAR or DFARS.

(5) Departments and agencies must submit requests for the Secretary of Defense, USD(AT&L), and OUSD(AT&L)DPAP approvals required by this section through the Director of the DAR Council.

(6) The Director of Defense Procurement publishes changes to the DFARS in the Federal Register and electronically via the World Wide Web. Each change includes an effective date. Unless guidance accompanying a change states otherwise, contracting officers must include any new or revised clauses, provisions, or forms in solicitations issued on or after the effective date of the change.

Subpart 201.4—Deviations From the FAR

201.402 Policy.

(1) The Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)DPAP), is the approval authority within DoD for any individual or class deviation from—

(i) FAR 3.104, Procurement Integrity, or DFARS 203.104, Procurement Integrity;

(ii) FAR Subpart 27.4, Rights in Data and Copyrights, or DFARS Subpart 227.4, Rights in Data and Copyrights;

(iii) FAR part 30, Cost Accounting Standards Administration, or DFARS part 230, Cost Accounting Standards Administration;

(iv) FAR subpart 31.1, Applicability, or DFARS subpart 231.1, Applicability (contract cost principles);

(v) FAR subpart 31.2, Contracts with Commercial Organizations, or DFARS subpart 231.2, Contracts with Commercial Organizations; or

(vi) FAR part 32, Contract Financing (except subparts 32.7 and 32.8 and the payment clauses prescribed by subpart 32.1), or DFARS part 232, Contract Financing (except subparts 232.7 and 232.8).
(2) Submit requests for deviation approval through department/agency channels to the approval authority in paragraph (1) of this section, 201.403, or 201.404, as appropriate. Submit deviations that require OUSD(AT&L)/DPAP approval through the Director of the DAR Council. At a minimum, each request must—
   (i) Identify the department/agency, and component if applicable, requesting the deviation;
   (ii) Identify the FAR or DFARS citation from which a deviation is needed, state what is required by that citation, and indicate whether an individual or class deviation is requested;
   (iii) Describe the deviation and indicate which of paragraphs (a) through (f) of FAR 1.401 best categorizes the deviation;
   (iv) State whether the deviation will have a significant effect beyond the internal operating procedures of the agency and/or a significant cost or administrative impact on contractors or offerors, and give reasons to support the statement;
   (v) State the period of time for which the deviation is required;
   (vi) State whether approval for the same deviation has been received previously, and if so, when;
   (vii) State whether the proposed deviation was published (see FAR subpart 1.5 for publication requirements) in the Federal Register and provide analysis of comments;
   (viii) State whether the request for deviation has been reviewed by legal counsel, and if so, state results; and
   (ix) Give detailed rationale for the request. State what problem or situation will be avoided, corrected, or improved if request is approved.

201.404 Class deviations.
   (b)(i) Except as provided in paragraph (b)(ii) of this section, OUSD(AT&L)/DPAP is the approval authority within DoD for any class deviation.
   (ii) The senior procurement executives for the Army, Navy, and Air Force, and the Directors of the Defense Commissary Agency, the Defense Contract Management Agency, and the Defense Logistics Agency, may approve any class deviation, other than those described in 201.402(1), that does not—
      (A) Have a significant effect beyond the internal operating procedures of the department or agency;
      (B) Have a significant cost or administrative impact on contractors or offerors;
      (C) Diminish any preference given small business concerns by the FAR or DFARS; or
      (D) Extend to requirements imposed by statute or by regulations of other agencies such as the Small Business Administration and the Department of Labor.

201.403 Individual deviations.
   (1) Individual deviations, except those described in 201.402(1) and paragraph (2) of this section, must be approved in accordance with the department/agency plan prescribed by 201.304(4).
   (2) Contracting officers outside the United States may deviate from prescribed nonstatutory FAR and DFARS clauses when—
      (i) Contracting for support services, supplies, or construction, with the governments of North Atlantic Treaty Organization (NATO) countries or other allies (as described in 10 U.S.C. 2341(2)), or with United Nations or NATO organizations; and
      (ii) Such governments or organizations will not agree to the standard clauses.

[65 FR 6552, Feb. 10, 2000]
(i) Must be an employee, military or civilian, of the U.S. Government, a foreign government, or a North Atlantic Treaty Organization/coalition partner. In no case shall contractor personnel serve as CORs;

(ii) Must be qualified by training and experience commensurate with the responsibilities to be delegated in accordance with department/agency guidelines;

(iii) May not be delegated responsibility to perform functions at a contractor’s location that have been delegated under FAR 42.202(a) to a contract administration office;

(iv) Has no authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract; and

(v) Must be designated in writing, and a copy furnished to the contractor and the contract administration office—
   (A) Specifying the extent of the COR’s authority to act on behalf of the contracting officer;
   (B) Identifying the limitations on the COR’s authority;
   (C) Specifying the period covered by the designation;
   (D) Stating the authority is not delegable; and
   (E) Stating that the COR may be personally liable for unauthorized acts.


201.602–70 Contract clause.

Use the clause at 252.201–7000, Contracting Officer’s Representative, in solicitations and contracts when appointment of a contracting officer’s representative is anticipated.

201.603 Selection, appointment, and termination of appointment.

201.603–2 Selection.

(1) In accordance with 10 U.S.C. 1724, in order to qualify to serve as a contracting officer with authority to award or administer contracts for amounts above the simplified acquisition threshold, a person must—

   (i) Have completed all contracting courses required for a contracting officer to serve in the grade in which the employee or member of the armed forces will serve;
   (ii) Have at least 2 years experience in a contracting position;
   (iii) Have—
      (A) Received a baccalaureate degree from an accredited educational institution; and
      (B) Completed at least 24 semester credit hours, or equivalent, of study from an accredited institution of higher education in any of the following disciplines: accounting, business finance, law, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management; and
   (iv) Meet such additional requirements, based on the dollar value and complexity of the contracts awarded or administered in the position, as may be established by the Secretary of Defense.

   (2) The qualification requirements in paragraph (1)(iii) of this subsection do not apply to a DoD employee or member of the armed forces who—

   (i) On or before September 30, 2000, occupied—
      (A) A contracting officer position with authority to award or administer contracts above the simplified acquisition threshold; or
      (B) A position either as an employee in the GS–1102 occupational series or a member of the armed forces in an occupational specialty similar to the GS–1102 series;
   (ii) Is in a contingency contracting force; or
   (iii) Is an individual appointed to a 3-year developmental position. Information on developmental opportunities is contained in DoD Instruction 5000.66, Operation of the Defense Acquisition, Technology, and Logistics Workforce Education, Training, and Career Development Program.
   (iv) Waivers to the requirements in paragraph (1) of this subsection may be authorized. Information on waivers is contained in DoD Instruction 5000.66.

Defense Acquisition Regulations System, DOD

201.603–3 Appointment.
(a) Certificates of Appointment executed under the Armed Services Procurement Regulation or the Defense Acquisition Regulation have the same effect as if they had been issued under FAR.
(b) Agency heads may delegate the purchase authority in 213.301 to DoD civilian employees and members of the U.S. Armed Forces.

[56 FR 36284, July 31, 1991, as amended at 64 FR 56705, Oct. 21, 1999]

201.670 Appointment of property administrators and plant clearance officers.
(a) The appropriate agency authority shall appoint or terminate (in writing) property administrators and plant clearance officers.
(b) In appointing qualified property administrators and plant clearance officers, the appointing authority shall consider experience, training, education, business acumen, judgment, character, and ethics.

[76 FR 52142, Aug. 19, 2011]

PART 202—DEFINITIONS OF WORDS AND TERMS


Subpart 202.1—Definitions

202.101 Definitions.

Congressional defense committees means—
(1) The Committee on Armed Services of the Senate;
(2) The Subcommittee on Defense of the Committee on Appropriations of the Senate;
(3) The Committee on Armed Services of the House of Representatives; and
(4) The Subcommittee on Defense of the Committee on Appropriations of the House of Representatives.


Contracting activity for DoD also means elements designated by the director of a defense agency which has been delegated contracting authority through its agency charter. DoD contracting activities are—

Department of Defense
Counterintelligence Field Activity
Department of Defense Education Activity
TRICARE Management Activity
Washington Headquarters Services, Acquisition and Procurement Office

Army
Headquarters, U.S. Army Contracting Command
Joint Contracting Command—Iraq/Afghanistan
National Guard Bureau
Program Executive Office for Simulation, Training, and Instrumentation
U.S. Army Aviation and Missile Life Cycle Management Command
U.S. Army Communications-Electronics Life Cycle Management Command
U.S. Army Corps of Engineers
U.S. Army Expeditionary Contracting Command
U.S. Army Intelligence and Security Command
U.S. Army Joint Munitions and Lethality Life Cycle Management Command
U.S. Army Medical Command
U.S. Army Medical Research and Materiel Command
U.S. Army Mission and Installation Contracting Command
U.S. Army Research, Development, and Engineering Command
U.S. Army Space and Missle Defense Command
U.S. Army Sustainment Command
U.S. Army Tank-Automotive and Armaments Life Cycle Management Command

Navy
Office of the Deputy Assistant Secretary of the Navy (Acquisition & Logistics Management)
Naval Air Systems Command
Space and Naval Warfare Systems Command
Naval Facilities Engineering Command
Naval Inventory Control Point
Naval Sea Systems Command
Naval Supply Systems Command
Office of Naval Research
Military Sealift Command
Strategic Systems Programs
Marine Corps Systems Command
Installations and Logistics, Headquarters, U.S. Marine Corps

Air Force
Office of the Assistant Secretary of the Air Force (Acquisition)
Department of Defense (DoD), as used in DFARS, means the Department of Defense, the military departments, and the defense agencies.

Executive agency means for DoD, the Department of Defense, the Department of the Army, the Department of the Navy, and the Department of the Air Force.

General public and non-governmental entities, as used in the definition of commercial item at FAR 2.101, do not include the Federal Government or a State, local, or foreign government (Pub. L. 110–181, section 815(b)).

Head of the agency means, for DoD, the Secretary of Defense, the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air
Defense Acquisition Regulations System, DOD

Sec. 203.070 Reporting of violations and suspected violations.

Subpart 203.1—Safeguards

203.104 Procurement integrity.

203.104–4 Disclosure, protection, and marking of contractor bid or proposal information and source selection information.
Subpart 203.1—Safeguards

203.170 Business practices.

To ensure the separation of functions for oversight, source selection, contract negotiation, and contract award, departments and agencies shall adhere to the following best practice policies:

(a) Senior leaders shall not perform multiple roles in source selection for a major weapon system or major service acquisition. Departments and agencies shall certify every 2 years that no senior leader has performed multiple roles in the acquisition of a major weapon system or major service. Completed certifications shall be forwarded to the Director, Defense Procurement, in accordance with the procedures at PGI 203.170.

(b) Vacant acquisition positions shall be filled on an “acting” basis from below until a permanent appointment is made. To provide promising professionals an opportunity to gain experience by temporarily filling higher positions, these oversight duties shall not be accrued at the top.

(c) Acquisition process reviews of the military departments shall be conducted to assess and improve acquisition and management processes, roles, and structures. The scope of the reviews should include—

(1) Distribution of acquisition roles and responsibilities among personnel;

(2) Processes for reporting concerns about unusual or inappropriate actions; and

(g) Prohibitions on persons convicted of defense-related contract felonies (203.570).

[69 FR 74990, Dec. 15, 2004]

Subpart 203.7—Voiding and Rescinding Contracts

203.703 Authority.

Subpart 203.9—Whistleblower Protections for Contractor Employees

203.900 Scope of subpart.

203.903 Policy.

203.904 Procedures for filing complaints.

203.906 Remedies.

203.970 Contract clause.


Source: 56 FR 36288, July 31, 1991, unless otherwise noted.

§ 203.070 Reporting of violations and suspected violations.

Report violations and suspected violations of the following requirements in accordance with 209.406–3 or 209.407–3 and DoDD 7050.5, Coordination of Remedies for Fraud and Corruption Related to Procurement Activities:

(a) Certificate of Independent Price Determination (FAR 3.103).

(b) Procurement integrity (FAR 3.104).

(c) Gratuities clause (FAR 3.203).

(d) Antitrust laws (FAR 3.303).

(e) Covenant Against Contingent Fees (FAR 3.405).

(f) Anti-kickback Act (FAR 3.502).

48 CFR Ch. 2 (10–1–11 Edition)

16
Defense Acquisition Regulations System, DOD

203.502–2 Subcontractor kickbacks.

(h) The DoD Inspector General has designated Special Agents of the following investigative organizations as representatives for conducting inspections and audits under the Anti-Kickback Act of 1986:

(i) U.S. Army Criminal Investigation Command.
(ii) Naval Criminal Investigative Service.
(iii) Air Force Office of Special Investigations.
(iv) Defense Criminal Investigative Service.

[56 FR 36288, July 31, 1991, as amended at 60 FR 29497, June 5, 1996]
203.570 Prohibition on persons convicted of frauds or other defense-contract-related felonies.

203.570-1 Scope.
This subpart implements 10 U.S.C. 2408. For information on 10 U.S.C. 2408, see PGI 203.570-1.

[71 FR 14100, Mar. 21, 2006]

203.570-2 Prohibition period.
DoD has sole responsibility for determining the period of the prohibition described in paragraph (b) of the clause at 252.203-7001, Prohibition on Persons Convicted of Fraud or Other Defense-Contract-Related Felonies. The prohibition period—
(a) Shall not be less than 5 years from the date of conviction unless the agency head or a designee grants a waiver in the interest of national security. Follow the waiver procedures at PGI 203.570–2(a); and
(b) May be more than 5 years from the date of conviction if the agency head or a designee makes a written determination of the need for the longer period. The agency shall provide a copy of the determination to the address at PGI 203.570–2(b).

[69 FR 74990, Dec. 15, 2004]

203.570-3 Contract clause.
Use the clause at 252.203–7001, Prohibition on Persons Convicted of Fraud or Other Defense-Contract-Related Felonies, in all solicitations and contracts exceeding the simplified acquisition threshold, except solicitations and contracts for commercial items.


Subpart 203.7—Voiding and Rescinding Contracts

203.703 Authority.
The authority to act for the agency head under this subpart is limited to a level no lower than an official who is appointed by and with the advice of the Senate, without power of redelegation. For the defense agencies, for purposes of this subpart, the agency head designee is the Under Secretary of Defense (Acquisition, Technology, and Logistics).

[56 FR 36288, July 31, 1991, as amended at 60 FR 61592, Nov. 30, 1995; 65 FR 36794, June 27, 2000]

Subpart 203.9—Whistleblower Protections for Contractor Employees

203.900 Scope of subpart.

[74 FR 2410, Jan. 15, 2009]

203.903 Policy.
The following policy applies to DoD instead of the policy at FAR 3.903:
(1) 10 U.S.C. 2409 prohibits contractors from discharging, demoting, or otherwise discriminating against an employee as a reprisal for disclosing, to any of the following entities, information that the employee reasonably believes is evidence of gross mismanagement of a DoD contract, a gross waste of DoD funds, a substantial and specific danger to public health or safety, or a violation of law related to a DoD contract (including the competition for or negotiation of a contract):
(i) A Member of Congress.
(ii) A representative of a committee of Congress.
(iii) An Inspector General that receives funding from or has oversight over contracts awarded for or on behalf of DoD.
(v) A DoD employee responsible for contract oversight or management.
(vi) An authorized official of an agency or the Department of Justice.
(2) A contracting officer who receives a complaint of reprisal of the type described in paragraph (1) of this section shall forward it to legal counsel or to the appropriate party in accordance with agency procedures.

[74 FR 2410, Jan. 15, 2009]
203.904 Procedures for filing complaints.

In addition to the procedures at FAR 3.904, any contractor employee who believes that he or she has been discharged, demoted, or otherwise discriminated against contrary to the policy in 203.903 may file a complaint with the DoD Inspector General.

[74 FR 2410, Jan. 15, 2009]

203.905 Procedures for investigating complaints.

The following procedures apply to DoD instead of the procedures at FAR 3.905:

(1) The DoD Inspector General will make a determination as to whether a complaint is frivolous or merits further investigation.
(2) If the DoD Inspector General determines that a complaint merits further investigation, the DoD Inspector General will—
   (i) Notify the complainant, the contractor alleged to have committed the violation, and the head of the agency;
   (ii) Conduct an investigation; and
   (iii) Provide a written report of findings to the complainant, the contractor alleged to have committed the violation, and the head of the agency.
(3) The DoD Inspector General—
   (i) Will determine that the complaint is frivolous or will submit the report addressed in paragraph (2) of this section within 180 days after receiving the complaint; and
   (ii) If unable to submit a report within 180 days, will submit the report within the additional time period to which the person submitting the complaint agrees.

[74 FR 2410, Jan. 15, 2009]

203.906 Remedies.

(1) Not later than 30 days after receiving a DoD Inspector General report in accordance with 203.905, the head of the agency—
   (i) Shall determine whether sufficient basis exists to conclude that the contractor has subjected one of its employees to a reprisal as prohibited by 203.903; and
   (ii) Shall issue an order denying relief or shall take one or more of the actions specified in FAR 3.906(a).
(2) If the head of the agency issues an order denying relief or has not issued an order within 210 days after the submission of the complaint or within 30 days after the expiration of an extension of time granted in accordance with 203.905(3)(ii), and there is no showing that such delay is due to the bad faith of the complainant—
   (i) The complainant shall be deemed to have exhausted all administrative remedies with respect to the complaint; and
   (ii) The complainant may bring a de novo action at law or equity against the contractor to seek compensatory damages and other relief available under 10 U.S.C. 2409 in the appropriate district court of the United States, which shall have jurisdiction over such an action without regard to the amount in controversy. Such an action shall, at the request of either party to the action, be tried by the court with a jury.
(3) An Inspector General determination and an agency head order denying relief under paragraph (2) of this section shall be admissible in evidence in any de novo action at law or equity brought pursuant to 10 U.S.C. 2409(c).

[74 FR 2410, Jan. 15, 2009]

203.970 Contract clause.

Use the clause at 252.203–7002, Requirement to Inform Employees of Whistleblower Rights, in all solicitations and contracts.

[74 FR 2410, Jan. 15, 2009]

Subpart 203.10—Contractor Code of Business Ethics and Conduct

203.1003 Requirements.

(b) Notification of possible contractor violation. Upon notification of a possible contractor violation of the type described in FAR 3.1003(b), coordinate the matter with the following office: DoD Inspector General, Investigative Policy and Oversight, Contractor Disclosure Program, 400 Army Navy Drive, Suite 1037, Arlington, VA 22202-4704; Toll-Free Telephone: 866-429-8011.

[74 FR 53412, October 19, 2009]
203.1004 Contract clauses.

(a) Use the clause at 252.203–7003, Agency Office of the Inspector General, in solicitations and contracts that include the FAR clause 52.203–13, Contractor Code of Business Ethics and Conduct.

(b)(2)(ii) Unless the contract is for the acquisition of a commercial item or will be performed entirely outside the United States, if the contract exceeds $5 million, use the clause at 252.203–7004, Display of Fraud Hotline Poster(s), in lieu of the clause at FAR 52.203–14, Display of Hotline Poster(s). If the Department of Homeland Security (DHS) provides disaster relief funds for the contract, DHS will provide information on how to obtain and display the DHS fraud hotline poster.

Defense Acquisition Regulations System, DOD 204.470–2

Subpart 204.73—Export-Controlled Items

204.7300 Scope of subpart.
204.7301 Definitions.
204.7302 General.
204.7303 Policy.
204.7304 Contract clauses.


Source: 56 FR 36289, July 31, 1991, unless otherwise noted.

Subpart 204.1—Contract Execution

204.101 Contracting officer’s signature.

Follow the procedures at PGI 204.101 for signature of contract documents.

[71 FR 9268, Feb. 23, 2006]

Subpart 204.2—Contract Distribution

204.201 Procedures.

Follow the procedures at PGI 204.201 for the distribution of contracts and modifications.

[70 FR 58982, Oct. 11, 2005]

204.203 Taxpayer identification information.

(b) The procedure at FAR 4.203(b) does not apply to contracts that include the clause at FAR 52.204–7, Central Contractor Registration. The payment office obtains the taxpayer identification number and the type of organization from the Central Contractor Registration database.

[88 FR 64558, Nov. 14, 2003]

204.270 Electronic Document Access.

Follow the procedures at PGI 204.270 relating to obtaining an account in the Electronic Document Access system.

[75 FR 59102, Sept. 27, 2010]

Subpart 204.4—Safeguarding Classified Information Within Industry

204.402 General.

DoD employees or members of the Armed Forces who are assigned to or visiting a contractor facility and are engaged in oversight of an acquisition program will retain control of their work products, both classified and unclassified.

[71 FR 9268, Feb. 23, 2006]

204.404 Contract clause.

204.404–70 Additional contract clauses.

(a) Use the clause at 252.204–7000, Disclosure of Information, in solicitations and contracts when the contractor will have access to or generate unclassified information that may be sensitive and inappropriate for release to the public.

(b) Use the clause at 252.204–7003, Control of Government Personnel Work Product, in all solicitations and contracts.

(c) Use the clause at 252.204–7005, Oral Attestation of Security Responsibilities, in solicitations and contracts that include the clause at FAR 52.204–2, Security Requirements.

[57 FR 14992, Apr. 23, 1992, as amended at 64 FR 45197, Aug. 19, 1999]


204.470–1 General.

Under the U.S.-International Atomic Energy Agency Additional Protocol (U.S.-IAEA AP), the United States is required to declare a wide range of public and private nuclear-related activities to the IAEA and potentially provide access to IAEA inspectors for verification purposes.

[74 FR 2412, Jan. 15, 2009]

204.470–2 National security exclusion.

(a) The U.S.-IAEA AP permits the United States unilaterally to declare exclusions from inspection requirements for activities, or locations or information associated with such activities, with direct national security significance.

(b) In order to ensure that all relevant activities are reviewed for direct national security significance, both current and former activities, and associated locations or information, are to be considered for applicability for a national security exclusion.

(c) If a DoD program manager receives notification from a contractor
that the contractor is required to report any of its activities in accordance with the U.S.-IAEA AP, the program manager will—

(1) Conduct a security assessment to determine if, and by what means, access may be granted to the IAEA; or

(2) Provide written justification to the component or agency treaty office for application of the national security exclusion at that location to exclude access by the IAEA, in accordance with DoD Instruction 2060.03, Application of the National Security Exclusion to the Agreements Between the United States of America and the International Atomic Energy Agency for the Application of Safeguards in the United States of America.

[74 FR 2412, Jan. 15, 2009]

204.470-3 Contract clause.

Use the clause at 252.204-7010, Requirement for Contractor to Notify DoD if the Contractor’s Activities are Subject to Reporting Under the U.S.-International Atomic Energy Agency Additional Protocol, in solicitations and contracts for research and development or major defense acquisition programs involving—

(a) Any fissionable materials (e.g., uranium, plutonium, neptunium, thorium, americium);

(b) Other radiological source materials; or

(c) Technologies directly related to nuclear power production, including nuclear or radiological waste materials.

[74 FR 2412, Jan. 15, 2009]

Subpart 204.6—Contract Reporting

204.602 General.

See PGI 204.602 for additional information on the Federal Procurement Data System (FPDS) and procedures for resolving technical or policy issues relating to FPDS.

[74 FR 37644, July 29, 2009]

204.604 Responsibilities.

(1) The process for reporting contract actions to FPDS should, where possible, be automated by incorporating it into contract writing systems.

(2) Data in FPDS is stored indefinitely and is electronically retrievable. Therefore, the contracting officer may reference the contract action report (CAR) approval date in the associated Government contract file instead of including a paper copy of the electronically submitted CAR in the file. Such reference satisfies contract file documentation requirements of FAR 4.803(a).

(3) By December 15th of each year, the chief acquisition officer of each DoD component required to report its contract actions shall submit to the Director, Defense Procurement and Acquisition Policy, its annual certification and data validation results for the preceding fiscal year in accordance with the DoD Data Improvement Plan requirements at http://www.acq.osd.mil/dpap/pdi/eb. The Director, Defense Procurement and Acquisition Policy, will submit a consolidated DoD annual certification to the Office of Management and Budget by January 5th of each year.

[74 FR 37644, July 29, 2009]

204.606 Reporting data.

In addition to FAR 4.606, follow the procedures at PGI 204.606 for reporting data to FPDS.

[74 FR 37644, July 29, 2009]

Subpart 204.8—Contract Files

204.802 Contract files.

Official contract files shall consist of—

(1) Only original, authenticated or conformed copies of contractual instruments—

(i) **Authenticated copies** means copies that are shown to be genuine in one of two ways—

(A) Certification as true copy by signature of an authorized person; or

(B) Official seal.

(ii) **Conformed copies** means copies that are complete and accurate, including the date signed and the names and titles of the parties who signed them.

(2) Signed or official record copies of correspondence, memoranda, and other documents.
204.804 Closeout of contract files.
Contracting officers shall close out contracts in accordance with the procedures at PGI 204.804. The closeout date for file purposes shall be determined and documented by the procuring contracting officer.

[73 FR 4114, Jan. 24, 2008]

204.805 Disposal of contract files.
(1) The sources of the period for which official contract files must be retained are General Records Schedule 3 (Procurement, Supply, and Grant Records) and General Records Schedule 6 (Accountable Officers’ Accounts Records). Copies of the General Records Schedule may be obtained from the National Archives and Records Administration, Washington, DC 20408.
(2) Deviations from the periods cannot be granted by the Defense Acquisition Regulatory Council. Forward requests for deviations to both the Government Accountability Office and the National Archives and Records Administration.
(3) Hold completed contract files in the office responsible for maintaining them for a period of 12 months after completion. After the initial 12 month period, send the records to the local records holding or staging area until they are eligible for destruction. If no space is available locally, transfer the files to the General Services Administration Federal Records Center that services the area.
(4) Duplicate or working contract files should contain no originals of materials that properly belong in the official files. Destroy working files as soon as practicable once they are no longer needed.
(5) Retain pricing review files, containing documents related to reviews of the contractor’s price proposals, subject to cost or pricing data (see FAR 15.403–4), for six years. If it is impossible to determine the final payment date in order to measure the six year period, retain the files for nine years.


Subpart 204.9—Taxpayer Identification Number Information

SOURCE: 64 FR 43099, Aug. 9, 1999, unless otherwise noted.

204.902 General.
(b) DoD uses the Federal Procurement Data System (FPDS) to meet these reporting requirements.

[74 FR 37645, July 29, 2009]

Subpart 204.11—Central Contractor Registration

SOURCE: 68 FR 64558, Nov. 14, 2003, unless otherwise noted.

204.1103 Procedures.
(1) On contract award documents, use the contractor’s legal or “doing business as” name and physical address information as recorded in the Central Contractor Registration (CCR) database at the time of award.
(2) When making a determination to exercise an option, or at any other time before issuing a modification other than a unilateral modification making an administrative change, ensure that—
   (i) The contractor’s record is active in the CCR database; and
   (ii) The contractor’s Data Universal Numbering System (DUNS) number, Commercial and Government Entity (CAGE) code, name, and physical address are accurately reflected in the contract document.
(3) At any time, if the DUNS number, CAGE code, contractor name, or physical address on a contract no longer matches the information on the contractor’s record in the CCR database, the contracting officer shall process a novation or change-of-name agreement, or an address change, as appropriate.
(4) See PGI 204.1103 for additional requirements relating to use of information in the CCR database.
(5) On contractual documents transmitted to the payment office, provide the CAGE code, instead of the DUNS number or DUNS+4 number, in accordance with agency procedures.

[74 FR 37643, July 29, 2009]
204.1104 Solicitation provision and contract clauses.

When using the clause at FAR 52.204–7, Central Contractor Registration, use the clause with 252.204–7004, Alternate A.

Subpart 204.12—Annual Representations and Certifications

SOURCE: 73 FR 1823, Jan. 10, 2008, unless otherwise noted.

204.1202 Solicitation provision.

When using the provision at FAR 52.204–8, Annual Representations and Certifications—
(1) Use the provision with 252.204–7007, Alternate A, Annual Representations and Certifications; and
(2) Do not include separately in the solicitation the following provisions, which are included in DFARS 252.204–7007:
   (i) 252.209–7001, Disclosure of Ownership or Control by the Government of a Terrorist Country.
   (ii) 252.209–7005, Reserve Officer Training Corps and Military Recruiting on Campus.
   (iii) 252.209–7002, Disclosure of Ownership or Control by a Foreign Government.
   (iv) 252.216–7003, Economic Price Adjustment—Wage Rates or Material Prices Controlled by a Foreign Government.
   (vi) 252.225–7020, Trade Agreements Certificate.
   (viii) 252.225–7031, Secondary Arab Boycott of Israel.
   (x) 252.225–7042, Authorization to Perform.
   (xi) 252.229–7003, Tax Exemptions (Italy).
   (xii) 252.229–7005, Tax Exemptions (Spain).

Subpart 204.70—Uniform Procurement Instrument Identification Numbers

204.7000 Scope.

This subpart—
(a) Prescribes policies and procedures for assigning numbers to all solicitations, contracts, and related instruments; and
(b) Does not apply to solicitations or orders for communication service authorizations issued by the Defense Information Technology Contracting Organization of the Defense Information Systems Agency in accordance with 239.7407–2.

[68 FR 64556, Nov. 14, 2003]

204.7001 Policy.

(a) Use the uniform procurement instrument identification (PII) numbering system prescribed by this subpart for the solicitation/contract instruments described in 204.7003 and 204.7004.
(b) Retain the basic PII number unchanged for the life of the instrument unless the conditions in paragraph (c) of this section exist.
(c) If continued performance under a contract number is not possible or is not in the Government’s best interest solely for administrative reasons (e.g., when the supplementary PII serial numbering system is exhausted or for lengthy major systems contracts with multiple options), the contracting officer may assign an additional PII number by issuing a separate continued contract to permit continued contract performance.

(2) A continued contract—
   (i) Does not constitute a new procurement;
   (ii) Incorporates all prices, terms, and conditions of the predecessor contract effective at the time of issuance of the continued contract;
   (iii) Operates as a separate contract independent of the predecessor contract once issued; and
   (iv) Shall not evade competition, expand the scope of work, or extend the...
period of performance beyond that of the predecessor contract.

(3) When issuing a continued contract, the contracting officer shall—

(i) Issue an administrative modification to the predecessor contract to clearly state that—

(A) Any future awards provided for under the terms of the predecessor contract (e.g., issuance of orders or exercise of options) will be accomplished under the continued contract; and

(B) Supplies and services already acquired under the predecessor contract shall remain solely under that contract for purposes of Government inspection, acceptance, payment, and closeout; and

(ii) Follow the procedures at PGI 204.7001(c).

[71 FR 27640, May 12, 2006]

204.7002 Procedures.

(a) In assigning PII numbers—

(1) Use only the alpha-numeric characters, as prescribed in this subpart; and

(2) Do not use the letter “I” or “O”.

(b) If department/agency procedures require other identification on the solicitation, contract, or other related instrument forms, enter it in such a location so as to separate it clearly from the PII number.

(c) Enter the basic PII number, including Federal supply contract numbers and any supplementary numbers, in the spaces provided on the solicitation, contract, or related instrument forms. Separate the major elements by dashes, e.g., N00023–90–D–0009 (not necessary in electronic transmission). If there is no space provided on the form, enter the number in the upper right corner of the form and identify what it is (e.g., Supplementary Number N00023–90–F–0120).


204.7003 Basic PII number.

(a) Elements of a number. The number consists of 13 alpha-numeric characters grouped to convey certain information.

(1) Positions 1 through 6. The first six positions identify the department/agency and office issuing the instrument. Use the DoD Activity Address Code (DoDAAC) assigned to the issuing office. DoDAACs can be found at https://day2k1.daas.dla.mil/daasing/.

(2) Positions 7 through 8. The seventh and eighth positions are the last two digits of the fiscal year in which the procurement instrument is issued or awarded.

(3) Position 9. Indicate the type of instrument by entering one of the following upper case letters in position nine—

(i) Blanket purchase agreements—A

(ii) Invitations for bids—B

(iii) Contracts of all types except indefinite delivery contracts, sales contracts, and contracts placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD. Do not use this code for contracts or agreements with provisions for orders or calls—C

(iv) Indefinite delivery contracts—D

(v) Reserved—E

(vi) Contracting actions placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD (including actions with the National Industries for the Blind (NIB), the National Industries for the Severely Handicapped (NISH), and the Federal Prison Industries (UNICOR))—F

(vii) Basic ordering agreements—G

(viii) Agreements, including basic agreements and loan agreements, but excluding blanket purchase agreements, basic ordering agreements, and leases. Do not use this code for contracts or agreements with provisions for orders or calls—H

(ix) Do not use—I

(x) Reserved—J

(xi) Short form research contract—K

(xii) Lease agreement—L

(xiii) Purchase orders—manual (assign W when numbering capacity of M is exhausted during the fiscal year)—M

(xiv) Notice of intent to purchase—N

(xv) Do not use—O

(xvi) Purchase order—automated (assign V when numbering capacity of P is exhausted during a fiscal year)—P

(xvii) Request for quotation—manual—Q

(xviii) Request for proposal—R

(xix) Sales contract—S
(xx) Request for quotation—automated (assign U when numbering capacity of T is exhausted during a fiscal year)—T

(xxii) See P—V

(xxiii) See M—W

(xxiv) Reserved for departmental use—X

(xxv) Imprest fund—Y

(xxvi) Reserved for departmental use—Z

(4) Position 10 through 13. Enter the serial number of the instrument in these positions. A separate series of serial numbers may be used for any type of instrument listed in paragraph (a)(3) of this section. Activities shall assign such series of PII numbers sequentially. An activity may reserve blocks of numbers or alpha-numeric numbers for use by its various components.

(b) Illustration of PII number. The following illustrates a properly configured PII number:

<table>
<thead>
<tr>
<th>Position</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-6</td>
<td>Identification of department/agency office</td>
</tr>
<tr>
<td>7-8</td>
<td>Last two digits of the fiscal year in which the procurement instrument is issued or awarded</td>
</tr>
<tr>
<td>9</td>
<td>Type of instrument</td>
</tr>
<tr>
<td>10-13</td>
<td>Four position serial number</td>
</tr>
</tbody>
</table>

204.7004 Supplementary PII numbers.

(a) Uses of the supplementary number. Use supplementary numbers with the basic PII number, to identify—

1. Amendments to solicitations;
2. Modifications to contracts and agreements, including provisioned item orders; and
3. Calls or orders under contracts, basic ordering agreements, or blanket purchase agreements, issued by the contracting office or by a DoD activity other than the contracting office, including DoD orders against Federal supply schedules.

(b) Amendments to solicitations. Number amendments to solicitations sequentially using a four position numeric serial number added to the basic PII number and beginning with 0001, e.g., N00062-91-R-1234-0001.

(c) Modifications to contracts and agreements. (1) Number modifications to contracts and agreements using a six position alpha-numeric added to the basic PII number.

(2) Position 1. Identify the office issuing the modification—
(i) Contract administration office—A
(ii) Contracting office—P
(3) Positions 2 through 3. These are the first two digits in a serial number. They may be either alpha or numeric. Use the letters K, L, M, N, P, Q, S, T, U, V, W, X, Y, or Z only in the second position and only in the following circumstances—
(i) Use K, L, M, N, P, and Q in the second position only if the modification is issued by the Air Force and is a provisioned item order.
(ii) Use S, and only S, in the second position to identify modifications issued to provide initial or amended shipping instructions when—
(A) The contract has either FOB origin or destination delivery terms; and
(B) The price changes.
(iii) Use T, U, V, W, X, or Y, and only those characters, in the second position to identify modifications issued to provide initial or amended shipping instructions when—
(A) The contract has FOB origin delivery terms; and
(B) The price does not change.
(iv) Only use Z in the second position to identify a modification which defines a letter contract.
(4) Positions 4 through 6. These positions are always numeric. Use a separate series of serial numbers for each type of modification listed in paragraph (c)(3) of this section. Examples of proper numbering for positions 2–6 (the first position will be either “A” or “P”) are as follows:

<table>
<thead>
<tr>
<th>Normal modification</th>
<th>Provisional item order (reserved for exclusive use by the Air Force only)</th>
<th>Shipping instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001–99999</td>
<td>K0001–K9999</td>
<td>S0001–S9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>A0001–A9999</td>
<td>T0001–T9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>B0001–B9999</td>
<td>U0001–U9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>C0001–C9999</td>
<td>V0001–V9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>D0001–D9999</td>
<td>W0001–W9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>E0001–E9999</td>
<td>X0001–X9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>F0001–F9999</td>
<td>Y0001–Y9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>G0001–G9999</td>
<td>Z0001–Z9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>H0001–H9999</td>
<td>A0001–A9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>I0001–I9999</td>
<td>B0001–B9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>J0001–J9999</td>
<td>C0001–C9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>K0001–K9999</td>
<td>D0001–D9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>L0001–L9999</td>
<td>E0001–E9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>M0001–M9999</td>
<td>F0001–F9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>N0001–N9999</td>
<td>G0001–G9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>O0001–O9999</td>
<td>H0001–H9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>P0001–P9999</td>
<td>I0001–I9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>Q0001–Q9999</td>
<td>J0001–J9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>R0001–R9999</td>
<td>K0001–K9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>S0001–S9999</td>
<td>L0001–L9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>T0001–T9999</td>
<td>M0001–M9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>U0001–U9999</td>
<td>N0001–N9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>V0001–V9999</td>
<td>O0001–O9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>W0001–W9999</td>
<td>P0001–P9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>X0001–X9999</td>
<td>Q0001–Q9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>Y0001–Y9999</td>
<td>R0001–R9999</td>
</tr>
<tr>
<td>0001–99999</td>
<td>Z0001–Z9999</td>
<td>A0001–A9999</td>
</tr>
</tbody>
</table>

(5) If the contract administration office is changing the contract administration or disbursement office for the first time and is using computer-generated modifications to notify many offices, it uses the six position supplementary number ARZ999. If either office has to be changed again during the life of the contract, the supplementary number will be ARZ998, and on down as needed.
(6) Each office authorized to issue modifications shall assign the supplementary identification numbers in sequence. Do not assign the numbers until it has been determined that a modification is to be issued.
(d) Delivery orders under indefinite delivery contracts, orders under basic ordering agreements, and calls under blanket purchase agreements.
(1) Calls or orders issued by the office issuing the contract or agreement. Use a four position alpha-numeric call or order serial number added to the basic PII number. These shall be identified by using serial numbers beginning 0001 through 9999. When the numeric identifiers run out, use alpha characters in the third and fourth positions. Never use alpha characters in the first and second positions.
(2) Orders placed against another activity’s contract or agreement.
(i) If the office placing the order or call is different from the office identified in the basic PII number, assign a serial number to the order or call. The first and second positions contain the call/order code assigned to the ordering office in accordance with 204.7005. Do not use the letters A or P in the first position. The third and fourth positions are two a position serial number assigned by the ordering office. The series will begin with 01. When the numbers exceed 99, the office will assign a uniform series of identifiers containing alpha and/or numeric characters, e.g.,
(ii) If an office is placing calls or orders with NIB, NISH, or UNICOR, the office shall identify the instrument with a 13 position supplementary PII number using an F in the 9th position. Modifications to these calls or orders shall be numbered in accordance with paragraph (c) of this section, e.g.,
Order #: DLA100–91–F–0001 modification #: A00001.
(e) Modifications to calls or orders. Use a two position alpha-numeric suffix, known as a call or order modification indicator, to identify a modification to a call or order.

(1) Modifications to a call or order issued by a purchasing office begin with 01, 02, and so on through 99, then B1 through B9, BA through BZ, C1 through C9, and so on through ZZ.

(2) Modifications to a call or order issued by a contract administration office begin with 1A, 1B, and so on through 9Z, followed by A1, A2, and so on to A9, then AA, AB, and so on through AZ.


204.7005 Assignment of order codes.

(a) Defense Procurement and Acquisition Policy, Program Development and Implementation, maintains the order code assignments for use in the first two positions of an order number when an activity places an order against another activity’s contract or agreement (see 204.7004(d)(2)).

(b) Contracting activities shall follow the procedures at PGI 204.7005 for requests for assignment of or changes in two-character order codes.

[76 FR 38047, June 29, 2011]

204.7006 Cross reference to Federal Procurement Data System.

Detailed guidance on mapping PII and supplementary PII numbers stored in the Electronic Document Access system to data elements reported in the Federal Procurement Data System can be found in PGI 204.7006.

[75 FR 59102, Sept. 27, 2010]

Subpart 204.71—Uniform Contract Line Item Numbering System

204.7100 Scope.

This subpart prescribes policies and procedures for assigning contract line item numbers.

204.7101 Definitions.

Accounting classification reference number (ACRN) means any combination of a two position alphanumeric code used as a method of relating the accounting classification citation to detailed line item information contained in the schedule.

Attachment means any documentation, appended to a contract or incorporated by reference, which does not establish a requirement for deliverables.

Definitized item, as used in this subpart, means an item for which a firm price has been established in the basic contract or by modification.

Exhibit means a document, referred to in a contract, which is attached and establishes requirements for deliverables. The term shall not be used to refer to any other kind of attachment to a contract. The DD Form 1423, Contract Data Requirements List, is always an exhibit, rather than an attachment.

Nonseverable deliverable, as used in this subpart, means a deliverable item that is a single end product or undertaking, entire in nature, that cannot be feasibly subdivided into discrete elements or phases without losing its identity.

Undefinitized item, as used in this subpart, means an item for which a price has not been established in the basic contract or by modification.


204.7102 Policy.

(a) The numbering procedures of this subpart shall apply to all—

(1) Solicitations;

(2) Solicitation line and subline item numbers;

(3) Contracts as defined in FAR Sub-part 2.1;

(4) Contract line and subline item numbers;

(5) Exhibits;

(6) Exhibit line and subline items; and

(7) Any other document expected to become part of the contract.

(b) The numbering procedures are mandatory for all contracts where separate contract line item numbers are assigned, unless—

(1) The contract is an indefinite-delivery type for petroleum products.
Defense Acquisition Regulations System, DOD 204.7103–1

against which posts, camps, and stations issue delivery orders for products to be consumed by them; or

(2) The contract is a communications service authorization issued by the Defense Information Systems Agency’s Defense Information Technology Contracting Organization.

[71 FR 9269, Feb. 23, 2006]

204.7103 Contract line items.

204.7103–1 Criteria for establishing.

Contracts shall identify the items or services to be acquired as separate contract line items unless it is not feasible to do so.

(a) Contract line items shall have all four of the following characteristics; however, there are exceptions within the characteristics, which may make establishing a separate contract line item appropriate even though one of the characteristics appears to be missing—

(1) Single unit price. The item shall have a single unit price or a single total price, except—

(i) If the item is not separately priced (NSP) but the price is included in the unit price of another contract line item, enter NSP instead of the unit price;

(ii) When there are associated subline items, established for other than informational reasons, and those subline items are priced in accordance with 204.7104;

(iii) When the items or services are being acquired on a cost-reimbursement contract;

(iv) When the contract is for maintenance and repair services (e.g., a labor hour contract) and firm prices have been established for elements of the total price of an item but the actual number and quantity of the elements are not known until performance. The contracting officer may structure these contracts to reflect a firm or estimated total amount for each line item;

(v) When the contract line item is established to refer to an exhibit or an attachment (if management needs dictate that a unit price be entered, the price shall be set forth in the item description block and enclosed in parentheses); or

(vi) When the contract is an indefinite delivery type contract and provides that the price of an item shall be determined at the time a delivery order is placed and the price is influenced by such factors as the quantity ordered (e.g., 10–99 @ $1.00, 100–249 @ $0.98, 250+ @ $0.95), the destination, the FOB point, or the type of packaging required.

(2) Separately identifiable. A contract line item must be identified separately from any other items or services on the contract.

(i) Supplies are separately identifiable if they have no more than one—

(A) National stock number (NSN);

(B) Item description; or

(C) Manufacturer’s part number.

(ii) Services are separately identifiable if they have no more than one—

(A) Scope of work; or

(B) Description of services.

(iii) This requirement does not apply if there are associated subline items, established for other than informational reasons, and those subline items include the actual detailed identification in accordance with 204.7104. Where this exception applies, use a general narrative description instead of the contract item description.

(3) Separate delivery schedule. Each contract line item or service shall have its own delivery schedule, period of performance, or completion date expressly stated (‘‘as required’’ constitutes an expressly stated delivery term).

(i) The fact that there is more than one delivery date, destination, performance date, or performance point may be a determining factor in the decision as to whether to establish more than one contract line item.

(ii) If a contract line item has more than one destination or delivery date, the contracting officer may create individual contract line items for the different destinations or delivery dates, or may specify the different delivery dates for the units by destination in the delivery schedule.

(4) Single accounting classification citation. (i) Each contract line item shall reference a single accounting classification citation except as provided in paragraph (a)(4)(ii) of this subsection.
(ii) The use of multiple accounting classification citations for a contract line item is authorized in the following situations:

(A) A single, nonseverable deliverable to be paid for with R&D or other funds properly incrementally obligated over several fiscal years in accordance with DoD policy;

(B) A single, nonseverable deliverable to be paid for with different authorizations or appropriations, such as in the acquisition of a satellite or the modification of production tooling used to produce items being acquired by several activities; or

(C) A modification to an existing contract line item for a nonseverable deliverable that results in the delivery of a modified item(s) where the item(s) and modification are to be paid for with different accounting classification citations.

(iii) When the use of multiple accounting classification citations is authorized for a single contract line item, establish informational subline items for each accounting classification citation in accordance with 204.7104–1(a).

(b) All subline items and exhibit line items under one contract line item shall be the same contract type as the contract line item.

(c) For a contract that contains a combination of fixed-price line items, time-and-materials/labor-hour line items, and/or cost-reimbursement line items, identify the contract type for each contract line item in Section B, Supplies or Services and Prices/Costs, to facilitate appropriate payment.

(d) Exhibits may be used as an alternative to putting a long list of contract line items in the schedule. If exhibits are used, create a contract line item citing the exhibit’s identifier. See 204.7105(a).

(e) If the contract involves a test model or a first article which must be approved, establish a separate contract line item or subline item for each item of supply or service which must be approved. If the test model or first article consists of a lot composed of a mixture of items, a single line item or subline item may be used for the lot.

(f) If a supply or service involves ancillary functions, like packaging and handling, transportation, payment of state or local taxes, or use of reusable containers, and these functions are normally performed by the contractor and the contractor is normally entitled to reimbursement for performing these functions, do not establish a separate contract line item solely to account for these functions. However, do identify the functions in the contract schedule. If the offeror separately prices these functions, contracting officers may establish separate contract line items for the functions; however, the separate line items must conform to the requirements of paragraph (a) of this subsection.

(g) Certain commercial items and initial provisioning spares for weapons systems are requested and subsequently solicited using units of measure such as kit, set, or lot. However, there are times when individual items within that kit, set, or lot are not grouped and delivered in a single shipment. This creates potential contract administration issues with inspection, acceptance, and payment. In such cases, solicitations should be structured to allow offerors to provide information about products that may not have been known to the Government prior to solicitation and propose an alternate line item structure as long as the alternate is consistent with the requirements of 204.71, which provides explicit guidance on the use of contract line items and subline items, and with PGI 204.71.


204.7103–2 Numbering procedures.

Follow the procedures at PGI 204.7103–2 for numbering contract line items.

[70 FR 58983, Oct. 11, 2005]

204.7104 Contract subline items.

204.7104–1 Criteria for establishing.

Contract subline items provide flexibility to further identify elements within a contract line item for tracking performance or simplifying administration. There are only two kinds of
(a) **Informational subline items.** (1) This type of subline item identifies information that relates directly to the contract line item and is an integral part of it (e.g., parts of an assembly or parts of a kit). These subline items shall not be scheduled separately for delivery, identified separately for shipment or performance, or priced separately for payment purposes.

(2) The informational subline item may include quantities, prices, or amounts, if necessary to satisfy management requirements. However, these elements shall be included within the item description in the supplies/services column and enclosed in parentheses to prevent confusing them with quantities, prices, or amounts that have contractual significance. Do not enter these elements in the quantity and price columns.

(3) Informational subline items shall be used to identify each accounting classification citation assigned to a single contract line item number when use of multiple citations is authorized (see 204.7103–1(a)(4)(ii)).

(b) **Separately identified subline items.**

(1) Subline items will be used instead of contract line items to facilitate payment, delivery tracking, contract funds accounting, or other management purposes. Such subline items shall be used when items bought under one contract line item number—

(i) Are to be paid for from more than one accounting classification. A subline item shall be established for the quantity associated with the single accounting classification citation. Establish a line item rather than a subline item if it is likely that a subline item may be assigned additional accounting classification citations at a later date. Identify the funding as described in 204.7104–1(a)(3);

(ii) Are to be packaged in different sizes, each represented by its own NSN;

(iii) Have collateral costs, such as packaging costs, but those costs are not a part of the unit price of the contract line item;

(iv) Have different delivery dates or destinations or requisitions, or a combination of the three; or

(v) Identify parts of an assembly or kit which—

(A) Have to be separately identified at the time of shipment or performance; and

(B) Are separately priced.

(2) Each separately identified contract subline item shall have its own—

(i) Delivery schedule, period of performance, or completion date;

(ii) Unit price or single total price or amount (not separately priced (NSP) is acceptable as an entry for price or amount if the price is included in another subline item or a different contract line item). This requirement does not apply—

(A) If the subline item was created to refer to an exhibit or an attachment. If management needs dictate that a unit price be entered, the price shall be set forth in the item description block of the schedule and enclosed in parentheses; or

(B) In the case of indefinite delivery contracts described at 204.7103–1(a)(1)(vi).

(iii) Identification (e.g., NSN, item description, manufacturer's part number, scope of work, description of services).

(3) Unit prices and extended amounts.

(i) The unit price and total amount for all subline items may be entered at the contract line item number level if the unit price for the subline items is identical. If there is any variation, the subline item unit prices shall be entered at the subline item level only.

(ii) The unit price and extended amounts may be entered at the subline items level.

(iii) The two methods in paragraphs (b)(3) (i) and (ii) of this subsection shall not be combined in a contract line item.

(iv) When the price for items not separately priced is included in the price of another subline item or contract line item, it may be necessary to withhold payment on the priced subline item until all the related subline items that are not separately priced have been delivered. In those cases, use the
204.7104-2 Numbering procedures.

Follow the procedures at PGI 204.7104-2 for numbering contract subline items.

[70 FR 58983, Oct. 11, 2005]

204.7105 Contract exhibits and attachments.

Follow the procedures at PGI 204.7105 for use and numbering of contract exhibits and attachments.

[71 FR 9269, Feb. 23, 2006]

204.7106 Contract modifications.

(a) If new items are added, assign new contract line or subline item numbers or exhibit line item numbers, in accordance with the procedures established at 204.7103, 204.7104, and 204.7105.

(b) Modifications to existing contract line items or exhibit line items. (1) If the modification relates to existing contract line items or exhibit line items, the modification shall refer to those item numbers.

(2) If the contracting officer decides to assign new identifications to existing contract or exhibit line items, the following rules apply—

(i) Definitized and undefinitized items.

(A) The original line item or subline item number may be used if the modification applies to the total quantity of the original line item or subline.

(B) The original line item or subline item number may be used if the modification makes only minor changes in the specifications of some of the items ordered on the original line item or subline item and the resulting changes in unit price can be averaged to provide a new single unit price for the total quantity. If the changes in the specifications make the item significantly distinguishable from the original item or the resulting changes in unit price cannot be averaged, create a new line item.

(C) If the modification affects only a partial quantity of an existing contract or exhibit line item or subline item and the change does not involve either the delivery date or the ship-to/mark-for data, the original contract or exhibit line item or subline item number shall remain with the unchanged quantity. Assign the changed quantity the next available number.

(ii) Undefinitized items. In addition to the rules in paragraph (b)(2)(i), the following additional rules apply to undefinitized items—

(A) If the modification is undefinitized and increases the quantity of an existing definitized item, assign the undefinitized quantity the next available number.

(B) If the modification increases the quantity of an existing undefinitized item, the original contract or exhibit line item or subline item may be used if the unit price for the new quantity is expected to be the same as the price for the original quantity. If the unit prices of the two quantities will be different, assign the new quantity the next available number.

(C) If the modification both affects only a partial quantity of the existing contract or exhibit line or subline item and definitizes the price for the affected portion, the definitized portion shall retain the original item number. If there is any undefinitized portion of the item, assign it the next available number. However, if the modification definitizes the price for the whole quantity of the line item, and price impact of the changed work can be apportioned equally over the whole to arrive at a new unit price, the quantity with the changes can be added into the quantity of the existing item.

(D) If the modification affects only a partial quantity of an existing contract or exhibit line or subline item but does not change the delivery schedule or definitize price, the unchanged portion shall retain the original contract or exhibit line or subline item number. Assign the changed portion the next available number.

(3) If the modification will decrease the amount obligated—

(i) There shall be coordination between the administrative and procuring contracting offices before issuance of the modification; and

(ii) The contracting officer shall not issue the modification unless sufficient unliquidated obligation exists or the
Defense Acquisition Regulations System, DOD 204.7202–1

purpose is to recover monies owed to the Government.

204.7107 Contract accounting classification reference number (ACRN) and agency accounting identifier (AAI).

Traceability of funds from accounting systems to contract actions is accomplished using ACRNs and AAIs. Follow the procedures at PGI 204.7107 for use of ACRNs and AAIs.
[74 FR 52895, Oct. 15, 2009]

204.7108 Payment instructions.

Follow the procedures at PGI 204.7108 for inclusion of payment instructions in contracts.
[70 FR 58083, Oct. 11, 2005]

204.7109 Solicitation provision and contract clause.

(a) Use the clause at 252.204–7006, Billing Instructions, in solicitations and contracts if Section G includes—

(1) Any of the standard payment instructions at PGI 204.7108(d)(1) through (6); or

(2) Other payment instructions, in accordance with PGI 204.7108(d)(12), that require contractor identification of the contract line item(s) on the payment request.

(b) Use the provision at 252.204–7011, Alternative Line Item Structure, in solicitations for commercial items and initial provisioning spares.
[76 FR 58139, Sept. 20, 2011]

Subpart 204.72—Contractor Identification

204.7200 Scope of subpart.

This subpart prescribes uniform policies and procedures for identification of commercial and Government entities when it is necessary to—

(a) Exchange data with another contracting activity, including contract administration activities and contract payment activities, or comply with the reporting requirements of subpart 204.6; or

(b) Identify contractors for the purpose of developing computerized acquisition systems or solicitation mailing lists.
[64 FR 43099, Aug. 9, 1999]

204.7201 Definitions.

(a) Commercial and Government Entity (CAGE) code means—

(1) A code assigned by the DLA Logistics Information Service to identify a commercial or Government entity; or

(2) A code assigned by a member of the North Atlantic Treaty Organization (NATO) that DLA Logistics Information Service records and maintains in the CAGE master file. This type of code is known as an “NCAGE code.”

(b) Contractor identification code means a code that the contracting office uses to identify an offeror. The three types of contractor identification codes are CAGE codes, Data Universal Numbering System (DUNS) numbers, and Taxpayer Identification Numbers (TINs).
[64 FR 43099, Aug. 9, 1999, as amended at 76 FR 21809, Apr. 19, 2011]

204.7202 General.


(b)(1) If a prospective contractor located in the United States must register in the Central Contractor Registration (CCR) database (see FAR subpart 4.11) and does not have a CAGE code, DLA Logistics Information Service will assign a CAGE code when the prospective contractor submits its request for registration in the CCR database. Foreign registrants must obtain a North Atlantic Treaty Organization CAGE (NCAGE) code in order to register in the CCR database. NCAGE codes may be obtained from the Codi fication Bureau in the foreign registrant’s country. Additional information on obtaining NCAGE codes is

(2) If registration in the CCR database is not required, the prospective contractor’s CAGE code is not already available in the contracting office, and the prospective contractor does not respond to the provision at 252.204–7001, Commercial and Government Entity (CAGE) Code Reporting, use the following procedures:

(i) To identify the prospective contractor’s CAGE code, use—

(A) The monthly H-series CD–ROM that contains the H–4/H–8 CAGE master file issued by DLA Logistics Information Service. (Their address is: Customer Service, Federal Center, 74 Washington Avenue, North, Battle Creek, MI 49017–3084. Their telephone number is: Toll-free 888–352–9333);

(B) The on-line access to the CAGE file through the DLA Logistics Information System [Service];

(C) The on-line access to the Defense Logistics Agency (DLA) CAGE file through the DLA Network or dial-up capability; or

(D) The Internet to access the CAGE Lookup Server at http://www.dlis.dla.mil/cage/welcome.asp.

(ii) If no CAGE code is identified through use of the procedures in paragraph (b)(2)(i) of this subsection, ask DLA Logistics Information Service to assign a CAGE code. Submit a DD Form 2051, Request for Assignment of a Commercial and Government Entity (CAGE) Code, (or electronic equivalent) to the address in paragraph (b)(2)(i)(A) of this subsection, ATTN: DLIS–SBB. The contracting office completes Section A of the DD Form 2051, and the contractor completes Section B. The contracting office must verify Section B before submitting the form.

(c) Direct questions on obtaining computer tapes, electronic updates, or code assignments to DLA Logistics Information Service TOLL-FREE 888–227–2423 or 888–352–9333; DSN 932–4725; or commercial 616–961–4725.


204.7205 Novation agreements, mergers and sales of assets.

Contracting officers shall process and execute novation agreements in accordance with FAR Subpart 42.12, Novation and Change-of-Name Agreements. These actions are independent of code and name assignments made as a result of the occasion which created the need for the novation agreement. The maintenance activity will determine which entity(s) will retain the existing code(s) and which entities will be assigned new codes. The contracting officer responsible for processing the novation agreement shall provide the maintenance activity with the following information:

(a) Name(s), address(es), and code(s) of the contractor(s) transferring the original contractual rights and obligations (transferor).
(b) Name(s), address(es), and code(s) (if any) of the entity who is the successor in interest (transferee).
(c) Name(s), address(es), and code(s) (if any) of the entity who is retaining or receiving the rights to the technical data.
(d) Description of the circumstances surrounding the novation agreement and especially the relationship of each entity to the other.


204.7206 Using CAGE codes to identify agents and brokers.

Authorized agents and brokers are entities and, as such, may be assigned CAGE codes for identification and processing purposes.

(a) A single CAGE code will be assigned to the agent/broker establishment in addition to any codes assigned to the entities represented by the agent/broker, i.e., only one code will be assigned to a specific agent/broker entity regardless of the number of firms represented by that agent/broker.
(b) Additional codes may be assigned to an agent/broker if they meet the criteria for assigning additional codes for entities, e.g., different location.
(c) Codes will not be assigned to an agent/broker in care of the entity being represented or in any way infer that the agent/broker is a separate establishment bearing the name of the entity represented by the agent/broker.


204.7207 Solicitation provision.

Use the provision at 252.204–7001, Commercial and Government Entity (CAGE) Code Reporting, in solicitations when—

(a) The solicitation does not include the clause at FAR 52.204–7, Central Contractor Registration; and
(b) The CAGE codes for the potential offerors are not available to the contracting office.


Subpart 204.73—Export-Controlled Items

SOURCE: 75 FR 18034, Apr. 8, 2010, unless otherwise noted.

204.7300 Scope of subpart.


204.7301 Definitions.

Export-controlled items, as used in this subpart, is defined in the clause at 252.204–7008.

204.7302 General.

Certain types of items are subject to export controls in accordance with the Arms Export Control Act (22 U.S.C. 2751, et seq.), the International Traffic in Arms Regulations (22 CFR parts 120–130), the Export Administration Act of 1979, as amended (50 U.S.C. App. 2401, et seq.), and the Export Administration Regulations (15 CFR parts 730–774). See PGI 204.7302 for additional information.
204.7303  Policy.

(a) It is in the interest of both the Government and the contractor to be aware of export controls as they apply to the performance of DoD contracts.

(b) It is the contractor's responsibility to comply with all applicable laws and regulations regarding export-controlled items. This responsibility exists independent of, and is not established or limited by, this subpart.

204.7304  Contract clauses.

Use the clause at 252.204-7008, Export-Controlled Items, in all solicitations and contracts.
SUBCHAPTER B—ACQUISITION PLANNING

PART 205—PUBLICIZING CONTRACT ACTIONS

Subpart 205.2—Synopses of Proposed Contract Actions

Sec.
205.203 Publicizing and response time.
205.205 Special situations.
205.207 Preparation and transmittal of synopses.

Subpart 205.3—Synopses of Contract Awards

205.301 General.
205.303 Announcement of contract awards.

Subpart 205.4—Release of Information

205.470 Contract clause.

Subpart 205.5—Paid Advertisements

205.502 Authority.


SOURCE: 56 FR 36302, July 31, 1991, unless otherwise noted.

Subpart 205.2—Synopses of Proposed Contract Actions

205.203 Publicizing and response time.

(b) Allow at least 45 days response time when requested by a qualifying or designated country source (as these terms are used in part 225) and the request is consistent with the Government’s requirement.

205.207–70 Notification of bundling of DoD contracts.

(a) When a proposed acquisition is funded entirely using DoD funds and potentially involves bundling, the contracting officer shall, at least 30 days prior to the release of a solicitation or 30 days prior to placing an order without a solicitation, publish in FedBizOpps.gov (or any successor site) a notification of the intent to bundle the requirement. In addition, if the agency has determined that measurably substantial benefits are expected to be derived as a result of bundling, the notification shall include a brief description of those benefits (see FAR 7.107).

(b) This requirement is in addition to the notification requirements at FAR 10.601(c)(2)(i) and (ii).

[75 FR 40716, July 13, 2010]

205.207 Preparation and transmittal of synopses.

(d)(i) For acquisitions being considered for historically black college and university and minority institution set-asides under 226.370—

(A) Cite the appropriate Numbered Note; and

(B) Include the notice at PGI 205.207(d)(i).

(ii) For broad agency announcement notices, see 235.016.

[69 FR 63328, Nov. 1, 2004, as amended at 70 FR 73149, Dec. 9, 2005]

Subpart 205.3—Synopses of Contract Awards

205.301 General.

(a)(S-70) Synopsis of exceptions to domestic source requirements.

(i) In accordance with 10 U.S.C. 2333a(k), contracting officers also must synopsize through the GPE, awards exceeding the simplified acquisition threshold that are for the acquisition of any clothing, fiber, yarn, or fabric items described in 225.7002–1(a)(2) through (10), if—

(A) The Secretary concerned has determined that domestic items are not available, in accordance with 225.7002–2(b); or

(B) The acquisition is for chemical warfare protective clothing, and the contracting officer has determined that an exception to domestic source requirements applies because the acquisition furthers an agreement with a qualifying country, in accordance with 225.7002–2(n).

(ii) The synopsis must be submitted in sufficient time to permit its publication not later than 7 days after contract award.

(iii) In addition to the information otherwise required in a synopsis of contract award, the synopsis must include
one of the following statements as applicable:

(A) "The exception at DFARS 225.7002-2(b) applies to this acquisition, because the Secretary concerned has determined that items grown, reprocessed, reused, or produced in the United States cannot be acquired as and when needed in satisfactory quality and sufficient quantity at U.S. market prices."

(B) "The exception at DFARS 225.7002-2(n) applies to this acquisition, because the contracting officer has determined that this acquisition of chemical warfare protective clothing furthers an agreement with a qualifying country identified in DFARS 225.003(10)."


205.303 Announcement of contract awards.

(a) Public announcement.

(i) The threshold for DoD awards is $6.5 million. Report all contractual actions, including modifications, that have a face value, excluding unexercised options, of more than $6.5 million.

(A) For undefinitized contractual actions, report the not-to-exceed (NTE) amount. Later, if the definitized amount exceeds the NTE amount by more than $6.5 million, report only the amount exceeding the NTE.

(B) For indefinite delivery, time and material, labor hour, and similar contracts, report the initial award if the estimated face value, excluding unexercised options, is more than $6.5 million. Do not report orders up to the estimated value, but after the estimated value is reached, report subsequent modifications and orders that have a face value of more than $6.5 million.

(C) Do not report the same work twice.

(ii) Departments and agencies submit the information—

(A) To the Office of the Assistant Secretary of Defense (Public Affairs);

(B) By the close of business the day before the date of the proposed award;

(C) Using report control symbol DD-LA—(AR) 1279;

(D) Including, as a minimum, the following—

(1) Contract data. Contract number, modification number, or delivery order number, face value of this action, total cumulative face value of the contract, description of what is being bought, contract type, whether any of the buy was for foreign military sales (FMS) and identification of the FMS customer;

(2) Competition information. Number of solicitations mailed and number of offers received;

(3) Contractor data. Name, address, and place of performance (if significant work is performed at a different location);

(4) Funding data. Type of appropriation and fiscal year of the funds, and whether the contract is multiyear (see FAR Subpart 17.1); and

(5) Miscellaneous data. Identification of the contracting office, the contracting office point of contact, known congressional interest, and the information release date.


Subpart 205.4—Release of Information

205.470 Contract clause.

Use the clause at 252.205–7000, Provision of Information to Cooperative Agreement Holders, in solicitations and contracts expected to exceed $1,000,000,000. This clause implements 10 U.S.C. 2416.


Subpart 205.5—Paid Advertisements

205.502 Authority.

(a) Newspapers. Heads of contracting activities are delegated authority to
Defense Acquisition Regulations System, DOD

PART 206—COMPETITION REQUIREMENTS

Sec. 206.001 Applicability.

Subpart 206.2—Full and Open Competition After Exclusion of Sources

206.202 Establishing or maintaining alternative sources.

206.203 Set-asides for small business concerns.

Subpart 206.3—Other Than Full and Open Competition

206.302 Circumstances permitting other than full and open competition.

206.302–1 Only one responsible source and no other supplies or services will satisfy agency requirements.

(a) Authority.

(1) Section 8059 of Pub. L. 101–511 and similar sections in subsequent defense appropriations acts prohibit departments and agencies from entering into contracts for studies, analyses, or consulting services (see FAR subpart 37.2) on the basis of agreement, which documents that the conditions set forth in 10 U.S.C. 2371 note, subsections (f)(2) (A) and (B) (see 32 CFR 3.9(d)), have been met; and

(3) The contracting officer establishes quantities and prices for the follow-on production contract that do not exceed the quantities and target prices established in the other transaction agreement.

[70 FR 2361, Jan. 13, 2005]

Subpart 206.2—Full and Open Competition After Exclusion of Sources

206.202 Establishing or maintaining alternative sources.

(a) Agencies may use this authority to totally or partially exclude a particular source from a contract action.

(b) The determination and findings (D&F) and the documentation supporting the D&F shall identify the source to be excluded from the contract action. Include the information at PGI 206.202(b), as applicable, and any other information that may be pertinent, in the supporting documentation.

[69 FR 74991, Dec. 15, 2004]

206.203 Set-asides for small business concerns.

(b) Also no separate justification or determination and findings is required for contract actions processed as historically black college and university and minority institution set-asides (see 226.7003).

[63 FR 41973, Aug. 6, 1998]

Subpart 206.3—Other Than Full and Open Competition

206.302 Circumstances permitting other than full and open competition.

206.302–1 Only one responsible source and no other supplies or services will satisfy agency requirements.

(a) Authority.

(2)(i) Section 8059 of Pub. L. 101–511 and similar sections in subsequent defense appropriations acts prohibit departments and agencies from entering into contracts for studies, analyses, or consulting services (see FAR subpart 37.2) on the basis of
an unsolicited proposal without providing for full and open competition, unless—

(i) The head of the contracting activity, or a designee no lower than chief of the contracting office, determines that—

(ii) Following thorough technical evaluation, only one source is fully qualified to perform the proposed work; or

(iii) The unsolicited proposal offers significant scientific or technological promise, represents the product of original thinking, and was submitted in confidence; or

(iii) The contract benefits the national defense by taking advantage of a unique and significant industrial accomplishment or by ensuring financial support to a new product or idea;

(ii) A civilian official of the DoD, whose appointment has been confirmed by the Senate, determines the award to be in the interest of national defense; or

(iii) The contract is related to improvement of equipment that is in development or production.

(b) Application. This authority may be used for acquisitions of test articles and associated support services from a designated foreign source under the DoD Foreign Comparative Testing Program.


206.302–2 Unusual and compelling urgency.

(b) Application. For guidance on circumstances under which use of this authority may be appropriate, see PGI 206.302–2(b).

[69 FR 74991, Dec. 15, 2004]

206.302–3 Industrial mobilization; or engineering, development, or research capability.

206.302–3–70 Solicitation provision.

Use the provision at 252.206–7000, Domestic Source Restriction, in all solicitations that are restricted to domestic sources under the authority of FAR 6.302–3.

206.302–4 International agreement.

(c) Limitations. Pursuant to 10 U.S.C. 2304(f)(2)(E), the justifications and approvals described in FAR 6.303 and 6.304 are not required if the head of the contracting activity prepares a document that describes the terms of an agreement or treaty or the written directions, such as a Letter of Offer and Acceptance, that have the effect of requiring the use of other than competitive procedures for the acquisition.

[63 FR 67803, Dec. 9, 1998]

206.302–5 Authorized or required by statute.

(b) Application. Agencies may use this authority to—

(i) Acquire supplies and services from military exchange stores outside the United States for use by the armed forces outside the United States in accordance with 10 U.S.C. 2424(a) and subject to the limitations of 10 U.S.C. 2424(b). The limitations of 10 U.S.C. 2424(b)(1) and (2) do not apply to the purchase of soft drinks that are manufactured in the United States. For the purposes of 10 U.S.C. 2424, soft drinks manufactured in the United States are brand name carbonated sodas, manufactured in the United States, as evidenced by product markings.

(ii) Acquire police, fire protection, airfield operation, or other community services from local governments at military installations to be closed under the circumstances in 237.7401 (Section 2907 of Fiscal Year 1994 Defense Authorization Act (Pub. L. 103–160)).

(c) Limitations. (i) 10 U.S.C. 2361 precludes use of this exception for awards to colleges or universities for the performance of research and development, or for the construction of any research or other facility, unless—

(A) The statute authorizing or requiring award specifically—

(1) States that the statute modifies or supersedes the provisions of 10 U.S.C. 2361,

(2) Identifies the particular college or university involved, and

(3) States that award is being made in contravention of 10 U.S.C. 2361(a); and
Defense Acquisition Regulations System, DOD 207.102

(B) The Secretary of Defense provides Congress written notice of intent to award. The contract cannot be awarded until 180 days have elapsed since the date Congress received the notice of intent to award. Contracting activities must submit a draft notice of intent with supporting documentation through channels to the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics).

(ii) The limitation in paragraph (c)(1) of this subsection applies only if the statute authorizing or requiring award was enacted after September 30, 1989.

(iii) Subsequent statutes may provide different or additional constraints on the award of contracts to specified colleges and universities. Contracting officers should consult legal counsel on a case-by-case basis.

206.302–7 Public interest.

(c) Limitations. For the defense agencies, the written determination to use this authority must be made by the Secretary of Defense.

206.303 Justifications.

206.303–70 Acquisitions in support of operations in Iraq or Afghanistan.

The justification and approval addressed in FAR 6.303 is not required for acquisitions conducted using a procedure specified in 225.7703–1(a).

206.304 Approval of the justification.

(a)(4) The Under Secretary of Defense (Acquisition, Technology, and Logistics) may delegate this authority to—

(A) An Assistant Secretary of Defense;

(B) For a defense agency, an officer or employee serving in, assigned, or detailed to that agency who—

(1) If a member of the armed forces, is serving in a rank above brigadier general or rear admiral (lower half); or

(2) If a civilian, is serving in a position with a grade under the General Schedule (or any other schedule for civilian officers or employees) that is comparable to or higher than the grade of major general or rear admiral.


PART 207—ACQUISITION PLANNING

Subpart 207.1—Acquisition Plans

Sec.

207.102 Policy.

207.103 Agency-head responsibilities.

207.104 General procedures.

207.105 Contents of written acquisition plans.

207.106 Additional requirements for major systems.

207.170 Consolidation of contract requirements.

207.170–1 Scope.

207.170–2 Definitions.

207.170–3 Policy and procedures.

207.171 Component breakout.

207.171–1 Scope.

207.171–2 Definition.

207.171–3 Policy.

207.171–4 Procedures.

207.172 Human research.

Subpart 207.4—Equipment Lease or Purchase

207.401 Acquisition considerations.

207.470 Statutory requirements.

207.471 Funding requirements.

Subpart 207.5—Inherently Governmental Functions

207.500 Scope of subpart.

207.503 Policy.

Subpart 207.70—Buy-to-Budget—Additional Quantities of End Items

207.7001 Definition.

207.7002 Authority to acquire additional quantities of end items.

207.7003 Limitation.


SOURCE: 56 FR 36305, July 31, 1991, unless otherwise noted.

Subpart 207.1—Acquisition Plans

207.102 Policy.

(a)(1) See 212.102 regarding requirements for a written determination that
the commercial item definition has been met when using FAR Part 12 procedures.

[73 FR 4114, Jan. 24, 2008]

207.103 Agency-head responsibilities.

(d)(i) Prepare written acquisition plans for—

(A) Acquisitions for development, as defined in FAR 35.001, when the total cost of all contracts for the acquisition program is estimated at $10 million or more;

(B) Acquisitions for production or services when the total cost of all contracts for the acquisition program is estimated at $50 million or more for all years or $25 million or more for any fiscal year; and

(C) Any other acquisition considered appropriate by the department or agency.

(ii) Written plans are not required in acquisitions for a final buy out or one-time buy. The terms “final buy out” and “one-time buy” refer to a single contract that covers all known present and future requirements. This exception does not apply to a multiyear contract or a contract with options or phases.

(e) Prepare written acquisition plans for acquisition programs meeting the thresholds of paragraphs (d)(1)(A) and (B) of this section on a program basis. Other acquisition plans may be written on either a program or an individual contract basis.

(g) The program manager, or other official responsible for the program, has overall responsibility for acquisition planning.

(h) For procurement of conventional ammunition, as defined in DoDD 5100.65, Single Manager for Conventional Ammunition (SMCA), the SMCA will review the acquisition plan to determine if it is consistent with retaining national technology and industrial base capabilities in accordance with 10 U.S.C. 2304(c)(3) and Section 806 of Public Law 105–261. The department or agency—

(1) Shall submit the acquisition plan to the address in PGI 207.103(h); and

(2) Shall not proceed with the procurement until the SMCA provides written concurrence with the acquisition plan. In the case of a non-concurrency, the SMCA will resolve issues with the Army Office of the Executive Director for Conventional Ammunition.


207.104 General procedures.

In developing an acquisition plan, agency officials shall take into account the requirement for scheduling and conducting a Peer Review in accordance with 201.170.

[74 FR 37626, July 29, 2009]

207.105 Contents of written acquisition plans.

In addition to the requirements of FAR 7.105, planners shall follow the procedures at PGI 207.105.

[71 FR 53045, Sept. 8, 2006]

207.106 Additional requirements for major systems.

(b)(1)(A) The contracting officer is prohibited by 10 U.S.C. 2305(d)(4)(A) from requiring offers for development or production of major systems that would enable the Government to use technical data to competitively reproduce identical items or components of the system if the item or component were developed exclusively at private expense, unless the contracting officer determines that—

(1) The original supplier of the item or component will be unable to satisfy program schedule or delivery requirements;

(2) Proposals by the original supplier of the item or component to meet mobilization requirements are insufficient to meet the agency’s mobilization needs; or

(3) The Government is otherwise entitled to unlimited rights in technical data.

(B) If the contracting officer makes a determination, under paragraphs (b)(1)(A) (i) and (2) of this section, for a competitive solicitation, 10 U.S.C. 2305(d)(4)(B) requires that the evaluation of items developed at private expense be based on an analysis of the total value, in terms of innovative design, life-cycle costs, and other pertinent factors, of incorporating such items in the system.
Defense Acquisition Regulations System, DOD 207.106

(S–70)(1) In accordance with Section 802(a) of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364) and DoD policy requirements, acquisition plans for major weapon systems and subsystems of major weapon systems shall—

(i) Assess the long-term technical data and computer software needs of those systems and subsystems; and

(ii) Establish acquisition strategies that provide for the technical data and computer software deliverables and associated license rights needed to sustain those systems and subsystems over their life cycle. The strategy may include—

(A) The development of maintenance capabilities within DoD; or

(B) Competition for contracts for sustainment of the systems or subsystems.

(2) Assessments and corresponding acquisition strategies developed under this section shall—

(i) Be developed before issuance of a solicitation for the weapon system or subsystem;

(ii) Address the merits of including a priced contract option for the future delivery of technical data and computer software, and associated license rights, that were not acquired upon initial contract award;

(iii) Address the potential for changes in the sustainment plan over the life cycle of the weapon system or subsystem; and

(iv) Apply to weapon systems and subsystems that are to be supported by performance-based logistics arrangements as well as to weapon systems and subsystems that are to be supported by other sustainment approaches.

(S–71) See 209.570 for policy applicable to acquisition strategies that consider the use of lead system integrators.

(S–72)(1) In accordance with section 239 of the Weapon Systems Acquisition Reform Act of 2009 (Pub. L. 111–23), acquisition plans for major defense acquisition programs as defined in 10 U.S.C. 2430, shall include measures that—

(i) Ensure competition, or the option of competition, at both the prime contract level and subcontract level (at such tier or tiers as are appropriate) throughout the program life cycle as a means to improve contractor performance; and

(ii) Document the rationale for the selection of the appropriate subcontract tier or tiers under paragraph (S–72)(1)(i) of this section, and the measures which will be employed to ensure competition, or the option of competition.

(2) Measures to ensure competition, or the option of competition, may include, but are not limited to, cost-effective measures intended to achieve the following:

(i) Competitive prototyping.

(ii) Dual-sourcing.

(iii) Unbundling of contracts.

(iv) Funding of next-generation prototype systems or subsystems.

(v) Use of modular, open architectures to enable competition for upgrades.

(vi) Use of build-to-print approaches to enable production through multiple sources.

(vii) Acquisition of complete technical data packages.

(viii) Periodic competitions for subsystem upgrades.

(ix) Licensing of additional suppliers.

(x) Periodic system or program reviews to address long-term competitive effects of program decisions.

(3) In order to ensure fair and objective “make-or-buy” decisions by prime contractors, acquisition strategies and resultant solicitations and contracts shall—

(i) Require prime contractors to give full and fair consideration to qualified sources other than the prime contractor for the development or construction of major subsystems and components of major weapon systems;

(ii) Provide for Government surveillance of the process by which prime contractors consider such sources and determine whether to conduct such development or construction in-house or through a subcontract; and

(iii) Provide for the assessment of the extent to which the prime contractor has given full and fair consideration to qualified sources in sourcing decisions as a part of past performance evaluations.

43
(4) Whenever a source-of-repair decision results in a plan to award a contract for the performance of maintenance and sustainment services on a major weapon system, to the maximum extent practicable and consistent with statutory requirements, the acquisition plan shall prescribe that award will be made on a competitive basis after giving full consideration to all sources (including sources that partner or subcontract with public or private sector repair activities).

(S–73) In accordance with section 815 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110–417) and DoD policy requirements, acquisition plans for major weapons systems shall include a plan for the preservation and storage of special tooling associated with the production of hardware for major defense acquisition programs through the end of the service life of the related weapons system. The plan shall include the identification of any contract clauses, facilities, and funding required for the preservation and storage of such tooling. The Undersecretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) may waive this requirement if USD (AT&L) determines that it is in the best interest of DoD.


207.170 Consolidation of contract requirements.

207.170–1 Scope.

This section implements 10 U.S.C. 2382.

(69 FR 55987, Sept. 17, 2004)

207.170–2 Definitions.

As used in this section—

Consolidation of contract requirements means the use of a solicitation to obtain offers for a single contract or a multiple award contract to satisfy two or more requirements of a department, agency, or activity for supplies or services that previously have been provided to, or performed for, that department, agency, or activity under two or more separate contracts.

Multiple-award contract means—

(1) A multiple-award schedule contract issued by the General Services Administration or Department of Veterans Affairs as described in FAR subpart 8.4;
(2) A multiple award task-order or delivery-order contract issued in accordance with FAR subpart 16.5; or
(3) Any other indefinite-delivery, indefinite-quantity contract that an agency enters into with two or more sources for the same line item under the same solicitation.

(71 FR 14106, Mar. 21, 2006, as amended at 76 FR 23505, Apr. 27, 2011)

207.170–3 Policy and procedures.

(a) Agencies shall not consolidate contract requirements with an estimated total value exceeding $6 million unless the acquisition strategy includes—

(1) The results of market research;
(2) Identification of any alternative contracting approaches that would involve a lesser degree of consolidation; and
(3) A determination by the senior procurement executive that the consolidation is necessary and justified.

(i) Market research may indicate that consolidation of contract requirements is necessary and justified if the benefits of the acquisition strategy substantially exceed the benefits of each of the possible alternative contracting approaches. Benefits may include costs and, regardless of whether quantifiable in dollar amounts—

(A) Quality;
(B) Acquisition cycle;
(C) Terms and conditions; and
(D) Any other benefit.

(ii) Savings in administrative or personnel costs alone do not constitute a sufficient justification for a consolidation of contract requirements unless the total amount of the cost savings is expected to be substantial in relation to the total cost of the procurement.

(b) Include the determination made in accordance with paragraph (a)(3) of this section in the contract file.


207.171 Component breakout.
207.171–1 Scope.

(a) This section provides policy for breaking out components of end items for future acquisitions so that the Government can purchase the components directly from the manufacturer or supplier and furnish them to the end item manufacturer as Government-furnished material.

(b) This section does not apply to—

(1) The initial decisions on Government-furnished equipment or contractor-furnished equipment that are made at the inception of an acquisition program; or

(2) Breakout of parts for replenishment (see appendix E).

[71 FR 14102, Mar. 21, 2006]

207.171–2 Definition.

Component, as used in this section, includes subsystems, assemblies, sub-assemblies, and other major elements of an end item; it does not include elements of relatively small annual acquisition value.

[71 FR 14102, Mar. 21, 2006]

207.171–3 Policy.

DoD policy is to break out components of weapons systems or other major end items under certain circumstances.

(a) When it is anticipated that a prime contract will be awarded without adequate price competition, and the prime contractor is expected to acquire any component without adequate price competition, the agency shall break out that component if—

(1) Substantial net cost savings probably will be achieved; and

(2) Breakout action will not jeopardize the quality, reliability, performance, or timely delivery of the end item.

(b) Even when either or both the prime contract and the component will be acquired with adequate price competition, the agency shall consider breakout of the component if substantial net cost savings will result from—

(1) Greater quantity acquisitions; or

(2) Such factors as improved logistics support (through reduction in varieties of spare parts) and economies in operations and training (through standardization of design).

(c) Breakout normally is not justified for a component that is not expected to exceed $1 million for the current year’s requirement.

[71 FR 14102, Mar. 21, 2006]

207.171–4 Procedures.

Agencies shall follow the procedures at PGI 207.171–4 for component breakout.

[71 FR 14102, Mar. 21, 2006]

207.172 Human research.

Any DoD component sponsoring research involving human subjects—

(a) Is responsible for oversight of compliance with 32 CFR Part 219, Protection of Human Subjects; and

(b) Must have a Human Research Protection Official, as defined in the clause at 252.235–7004, Protection of Human Subjects, and identified in the DoD component’s Human Research Protection Management Plan. This official is responsible for the oversight and execution of the requirements of the clause at 252.235–7004 and shall be identified in acquisition planning.

[74 FR 37648, July 29, 2009]

Subpart 207.4—Equipment Lease or Purchase

207.401 Acquisition considerations.

If the equipment will be leased for more than 60 days, the requiring activity must prepare and provide the contracting officer with the justification supporting the decision to lease or purchase.

207.470 Statutory requirements.

(a) Requirement for authorization of certain contracts relating to vessels, aircraft, and combat vehicles. The contracting officer shall not enter into any contract for the lease or charter of any vessel, aircraft, or combat vehicle, or any contract for services that would require the use of the contractor’s vessel, aircraft, or combat vehicle, unless the Secretary of the military department concerned has satisfied the requirements of 10 U.S.C. 2401, when—

(1) The contract will be a long-term lease or charter as defined in 10 U.S.C. 2401(d)(1); or
(2) The terms of the contract provide for a substantial termination liability as defined in 10 U.S.C. 2401(d)(2). Also see PGI 207.470.

(b) Limitation on contracts with terms of 18 months or more. As required by 10 U.S.C. 2401a, the contracting officer shall not enter into any contract for any vessel, aircraft, or vehicle, through a lease, charter, or similar agreement with a term of 18 months or more, or extend or renew any such contract for a term of 18 months or more, unless the head of the contracting activity has—

(1) Considered all costs of such a contract (including estimated termination liability); and

(2) Determined in writing that the contract is in the best interest of the Government.

(c) Leasing of commercial vehicles and associated equipment. Except as provided in paragraphs (a) and (b) of this section, the contracting officer may use leasing in the acquisition of commercial vehicles and associated equipment whenever the contracting officer determines that leasing of such vehicles is practicable and efficient (10 U.S.C. 2401a).

207.471 Funding requirements.


(b) DoD leases are either capital leases or operating leases. See FMR 7000.14–R, Volume 4, Chapter 7, Section 070207.

(c) Use procurement funds for capital leases, as these are essentially installment purchases of property.

207.500 Scope of subpart.

This subpart also implements 10 U.S.C. 2383.

207.503 Policy.

(e) The written determination required by FAR 7.503(e), that none of the functions to be performed by contract are inherently governmental—

(i) Shall be prepared using DoD Instruction 1100.22, Guidance for Determining Workforce Mix; and

(ii) Shall include a determination that none of the functions to be performed are exempt from private sector performance, as addressed in DoD Instruction 1100.22.

207.509 Contracts for acquisition functions.

(i) In accordance with 10 U.S.C. 2383, the head of an agency may enter into a contract for performance of the acquisition functions closely associated with inherently governmental functions that are listed at FAR 7.503(d) only if—

(ii) The contracting officer determines that appropriate military or civilian DoD personnel—

(A) Cannot reasonably be made available to perform the functions;

(B) Will oversee contractor performance of the contract; and

(C) Will perform all inherently governmental functions associated with the functions to be performed under the contract; and

(ii) The contracting officer ensures that the agency addresses any potential organizational conflict of interest of the contractor in the performance of the functions under the contract (see FAR Subpart 9.5).

207.509(S–70).

[70 FR 14573, Mar. 23, 2005, as amended at 71 FR 14101, Mar. 21, 2006; 73 FR 1826, Jan. 10, 2008]

Subpart 207.70—Buy-to-Budget—Additional Quantities of End Items

207.7001 Definition.

End item, as used in this subpart, means a production product assembled,
Defense Acquisition Regulations System, DOD

207.7002 Authority to acquire additional quantities of end items.

10 U.S.C. 2308 authorizes DoD to use funds available for the acquisition of an end item to acquire a higher quantity of the end item than the quantity specified in a law providing for the funding of that acquisition, if the head of an agency determines that—

(a) The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition;

(b) It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions;

(c) The amount of funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item; and

(d) The amount provided under that law for the acquisition of the end item is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

207.7003 Limitation.

For noncompetitive acquisitions, the acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared in accordance with FAR part 6 for the acquisition of the end item.

PART 208—REQUIRED SOURCES OF SUPPLIES AND SERVICES

Subpart 208.4—Federal Supply Schedules

208.401 Use of Federal Supply Schedules.
208.405–70 Additional ordering procedures.
208.406 Ordering activity responsibilities.
208.406–1 Order placement.

Subpart 208.6—Acquisition From Federal Prison Industries, Inc.

208.602–70 Acquisition of items for which FPI has a significant market share.

Subpart 208.7—Acquisition From Nonprofit Agencies Employing People Who Are Blind or Severely Disabled

208.705 Procedures.

Subpart 208.70—Coordinated Acquisition

208.7000 Scope of subpart.
208.7001 Definitions.
208.7002 Assignment authority.
208.7002–1 Acquiring department responsibilities.
208.7002–2 Requiring department responsibilities.
208.7003 Applicability.
208.7003–1 Assignments under integrated materiel management (IMM).
208.7003–2 Assignments under coordinated acquisition.
208.7004 Procedures.
208.7005 Military interdepartmental purchase requests.
208.7006 Coordinated acquisition assignments.

Subpart 208.71—Acquisition for National Aeronautics and Space Administration (NASA)

208.7100 Authorization.
208.7101 Policy.
208.7102 Procedures.

Subpart 208.72 [Reserved]

208.7201 Definitions.
208.7202 General.
208.7203 Authority.
208.7204 Procedures.

Subpart 208.73—Use of Government-Owned Precious Metals

208.7301 Definitions.
208.7302 Policy.
208.7303 Procedures.
208.7304 Refined precious metals.
208.7305 Contract clause.

Subpart 208.74—Enterprise Software Agreements

208.7400 Scope of subpart.
208.7401 Definitions.
208.7402 General.
208.7403 Acquisition procedures.


Source: 56 FR 36306, July 31, 1991, unless otherwise noted.
208.002 Priorities for use of Government supply sources.

(a)(1)(v) See Subpart 208.70, Coordinated Acquisition, and Subpart 208.74, Enterprise Software Agreements.

[71 FR 39004, July 11, 2006]

Subpart 208.4—Federal Supply Schedules

208.404 Use of Federal Supply Schedules.

(a)(i) Departments and agencies shall comply with the review, approval, and reporting requirements established in accordance with subpart 217.78 when placing orders for supplies or services in amounts exceeding the simplified acquisition threshold.

(ii) When a schedule lists both foreign and domestic items that will meet the needs of the requiring activity, the ordering office must apply the procedures of part 225 and FAR part 25, Foreign Acquisition. When purchase of an item of foreign origin is specifically required, the requiring activity must furnish the ordering office sufficient information to permit the determinations required by part 225 and FAR part 25 to be made.


208.405–70 Additional ordering procedures.

(a) This subsection—

(1) Implements Section 803 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. 107–107) for the acquisition of supplies, and establishes similar policy for the acquisition of supplies;

(2) Applies to orders for supplies or services under Federal Supply Schedules, including orders under blanket purchase agreements established under Federal Supply Schedules; and

(3) Also applies to orders placed by non-DoD agencies on behalf of DoD.

(b) Each order exceeding $150,000 shall be placed on a competitive basis in accordance with paragraph (c) of this subsection, unless this requirement is waived on the basis of a justification that is prepared and approved in accordance with FAR 8.405-6 and includes a written determination that—

(1) A statute expressly authorizes or requires that the purchase be made from a specified source; or

(2) One of the circumstances described at FAR 16.505(b)(2)(i) through (iii) applies to the order. Follow the procedures at PGI 216.505–70 if FAR 16.505(b)(2)(i) or (iii) is deemed to apply.

(c) An order exceeding $150,000 is placed on a competitive basis only if the contracting officer provides a fair notice of the intent to make the purchase, including a description of the supplies to be delivered or the services to be performed and the basis upon which the contracting officer will make the selection, to—

(1) As many schedule contractors as practicable, consistent with market research appropriate to the circumstances, to reasonably ensure that offers will be received from at least three contractors that can fulfill the requirements, and the contracting officer—

(i)(A) Receives offers from at least three contractors that can fulfill the requirements; or

(B) Determines in writing that no additional contractors that can fulfill the requirements could be identified despite reasonable efforts to do so (documentation should clearly explain efforts made to obtain offers from at least three contractors); and

(ii) Ensures all offers received are fairly considered; or

(2) All contractors offering the required supplies or services under the applicable multiple award schedule, and affords all contractors responding to the notice a fair opportunity to submit an offer and have that offer fairly considered.

(d) See PGI 208.405–70 for additional information regarding fair notice to contractors and requirements relating to the establishment of blanket purchase agreements under Federal Supply Schedules.

§ 208.406 Ordering activity responsibilities.

§ 208.406–1 Order placement.
Follow the procedures at PGI 208.406–1 when ordering from schedules.

[71 FR 14107, Mar. 21, 2006]

Subpart 208.6—Acquisition From Federal Prison Industries, Inc.

208.602–70 Acquisition of items for which FPI has a significant market share.


(b) Definition. Item for which FPI has a significant market share, as used in this subsection, means an item for which FPI's share of the DoD market for the federal supply class including that item is greater than 5 percent, as determined by DoD in consultation with the Office of Federal Procurement Policy. A list of the federal supply classes of items for which FPI has a significant market share is maintained at http://www.acq.osd.mil/dpap/cpic/cp/specific_policy_areas.html#federal_prison.

(c) Policy. (1) When acquiring an item for which FPI has a significant market share—

(i) Acquire the item using—

(A) Competitive procedures (e.g., the procedures in FAR 6.102, the set-aside procedures in FAR Subpart 19.5, or competition conducted in accordance with FAR Part 13); or

(B) The fair opportunity procedures in FAR 16.505, if placing an order under a multiple award delivery-order contract; and

(ii) Include FPI in the solicitation process, consider a timely offer from FPI, and make an award in accordance with the policy at FAR 8.602(a)(4)(ii) through (v).

(2) When acquiring an item for which FPI does not have a significant market share, acquire the item in accordance with the policy at FAR 8.602.

[73 FR 46817, Aug. 12, 2008]

Subpart 208.7—Acquisition From Nonprofit Agencies Employing People Who Are Blind or Severely Disabled

208.705 Procedures.
Follow the procedures at PGI 208.705 when placing orders with central nonprofit agencies.

[71 FR 39004, July 11, 2006]

Subpart 208.70—Coordinated Acquisition

208.7000 Scope of subpart.
This subpart prescribes policy and procedures for acquisition of items for which contracting responsibility is assigned to one or more of the departments/agencies or the General Services Administration. Contracting responsibility is assigned through—

(a) The Coordinated Acquisition Program (commodity assignments are listed in PGI 208.7006); or


208.7001 Definitions.
For purposes of this subpart—

Acquiring department means the department, agency, or General Services Administration which has contracting responsibility under the Coordinated Acquisition Program.

Integrated materiel management means assignment of acquisition management responsibility to one department, agency, or the General Services Administration for all of DoD's requirements for the assigned item. Acquisition management normally includes computing requirements, funding, budgeting, storing, issuing, cataloging, standardizing, and contracting functions.

Requiring department means the department or agency which has the requirement for an item.
208.7002 Assignment authority.

(a) Under the DoD Coordinated Acquisition Program, contracting responsibility for certain commodities is assigned to a single department, agency, or the General Services Administration (GSA). Commodity assignments are made—

(1) To the departments and agencies, by the Deputy Under Secretary of Defense (Logistics);
(2) To GSA, through agreement with GSA, by the Deputy Under Secretary of Defense (Logistics);
(3) Outside the contiguous United States, by the Unified Commanders; and

(4) For acquisitions to be made in the contiguous United States for commodities not assigned under paragraphs (a)(1), (2), or (3) of this section, by agreement of agency heads (10 U.S.C. 2311).

(i) Agreement may be on either a one-time or a continuing basis. The submission of a military interdepartmental purchase request (MIPR) by a requiring activity and its acceptance by the contracting activity of another department, even though based on an oral communication, constitutes a one-time agreement.

(ii) Consider repetitive delegated acquisition responsibilities for coordinated acquisition assignment. If not considered suitable for coordinated acquisition assignment, formalize continuing agreements and distribute them to all activities concerned.

(b) Under the Integrated Materiel Management Program, assignments are made by the Deputy Under Secretary of Defense (Logistics)—

(1) To the departments and agencies; and

(2) To GSA, through agreement with GSA.

[56 FR 36306, July 31, 1991, as amended at 64 FR 51075, Sept. 21, 1999; 70 FR 35544, June 21, 2005]

208.7002–1 Acquiring department responsibilities.

See PGI 208.7002–1 for the acquiring department’s responsibilities.

[71 FR 39004, July 11, 2006]

208.7002–2 Requiring department responsibilities.

See PGI 208.7002–2 for the requiring department’s responsibilities.

[71 FR 39004, July 11, 2006]

208.7003 Applicability.

208.7003–1 Assignments under integrated materiel management (IMM).

(a) Acquire all items assigned for IMM from the IMM manager except—

(1) Items purchased under circumstances of unusual and compelling urgency as defined in FAR 6.302–2. After such a purchase is made, the requiring activity must send one copy of the contract and a statement of the emergency to the IMM manager;

(2) Items for which the IMM manager assigns a supply system code for local purchase or otherwise grants authority to purchase locally; or

(3) When purchase by the requiring activity is in the best interest of the Government in terms of the combination of quality, timeliness, and cost that best meets the requirement. This exception does not apply to items—

(i) Critical to the safe operation of a weapon system;

(ii) With special security characteristics; or

(iii) Which are dangerous (e.g., explosives, munitions).

(b) Follow the procedures at PGI 208.7003–1(b) when an item assigned for IMM is to be acquired by the requiring department in accordance with paragraph (a)(3) of this subsection.

[60 FR 61593, Nov. 30, 1995, as amended at 64 FR 51075, Sept. 21, 1999; 64 FR 61031, Nov. 9, 1999; 71 FR 39004, July 11, 2006]

208.7003–2 Assignments under coordinated acquisition.

Requiring departments must submit to the acquiring department all contracting requirements for items assigned for coordinated acquisition, except—

(a) Items obtained through the sources in FAR 8.002(a)(1) (i) through (vii);

(b) Items obtained under 208.7003–1(a); and

(c) Requirements not in excess of the simplified acquisition threshold in FAR part 2, when contracting by the
Defense Acquisition Regulations System, DOD  208.7005

requiring department is in the best interest of the Government;

(d) In an emergency. When an emergency purchase is made, the requiring department must send one copy of the contract and a statement of the emergency to the contracting activity of the acquiring department;

(e) Requirements for which the acquiring department’s contracting activity delegates contracting authority to the requiring department;

(f) Items in a research and development stage (as described in FAR part 35). Under this exception, the military departments may contract for research and development requirements, including quantities for testing purposes and items undergoing in-service evaluation (not yet in actual production, but beyond prototype). Generally, this exception applies only when research and development funds are used.

(g) Items peculiar to nuclear ordnance material where design characteristics or test-inspection requirements are controlled by the Department of Energy (DoE) or by DoD to ensure reliability of nuclear weapons.

(1) This exception applies to all items designed for and peculiar to nuclear ordnance regardless of agency control, or to any item which requires test or inspection conducted or controlled by DoE or DoD.

(2) This exception does not cover items used for both nuclear ordnance and other purposes if the items are not subject to the special testing procedures.

(h) Items to be acquired under FAR 6.302–6 (national security requires limitation of sources);

(i) Items to be acquired under FAR 6.302–1 (supplies available only from the original source for follow-on contract);

(j) Items directly related to a major system and which are design controlled by and acquired from either the system manufacturer or a manufacturer of a major subsystem;

(k) Items subject to rapid design changes, or to continuous redesign or modification during the production and/or operational use phases, which require continual contact between industry and the requiring department to ensure that the item meets the requirements;

(l) Containers acquired only with items for which they are designed;

(m) One-time buy of a noncataloged item.

(1) This exception permits the requiring departments to contract for a non-recurring requirement for a noncataloged item. This exception could cover a part or component for a prototype which may be stock numbered at a later date.

(2) This exception does not permit acquisitions of recurring requirements for an item, based solely on the fact that the item is not stock numbered, nor may it be used to acquire items which have only slightly different characteristics than previously cataloged items.


208.7004 Procedures.

Follow the procedures at PGI 208.7004 for processing coordinated acquisition requirements.

[71 FR 39005, July 11, 2006]

208.7005 Military interdepartmental purchase requests.

Follow the procedures at—

(a) PGI 253.208–1 when using DD Form 448, Military Interdepartmental Purchase Request; and

(b) PGI 253.208–2 when using DD Form 448–2, Acceptance of MIPR.

[71 FR 39005, July 11, 2006]
208.7006 Coordinated acquisition assignments.

See PGI 208.7006 for coordinated acquisition assignments.

[71 FR 39005, July 11, 2006]

Subpart 208.71—Acquisition for National Aeronautics and Space Administration (NASA)

208.7100 Authorization.

NASA is authorized by Public Law 85–568 to use the acquisition services, personnel, equipment, and facilities of DoD departments and agencies with their consent, with or without reimbursement, and on a similar basis to cooperate with the departments/agencies in the use of acquisition services, equipment, and facilities.

[71 FR 39005, July 11, 2006]

208.7101 Policy.

Departments and agencies shall cooperate fully with NASA in making acquisition services, equipment, personnel, and facilities available on the basis of mutual agreement.

[71 FR 39005, July 11, 2006]

208.7102 Procedures.

Follow the procedures at PGI 208.7102 when contracting or performing services for NASA.

[71 FR 39005, July 11, 2006]

Subpart 208.72 [Reserved]

Subpart 208.73—Use of Government-Owned Precious Metals

208.7301 Definitions.

As used in this subpart—
Defense Supply Center, Philadelphia (DSCP) means the Defense Logistics Agency field activity located at 700 Robbins Avenue, Philadelphia, PA 19111–5096, which is the assigned commodity integrated material manager for refined precious metals and is responsible for the storage and issue of such material.

Refined precious metal means recovered silver, gold, platinum, palladium, iridium, rhodium, or ruthenium, in bullion, granulation or sponge form, which has been purified to at least .999 percentage of fineness.


208.7302 Policy.

DoD policy is for maximum participation in the Precious Metals Recovery Program. DoD components shall furnish recovered precious metals contained in the DSCP inventory to production contractors rather than use contractor-furnished precious metals whenever the contracting officer determines it to be in the Government’s best interest.


208.7303 Procedures.

Follow the procedures at PGI 208.7303 for use of the Precious Metals Recovery Program.

[71 FR 39005, July 11, 2006]

208.7304 Refined precious metals.

See PGI 208.7304 for a list of refined precious metals managed by DSCP.

[71 FR 39005, July 11, 2006]

208.7305 Contract clause.

(a) Use the clause at 252.208–7000, Intent to Furnish Precious Metals as Government-Furnished Material, in all solicitations and contracts except—

(1) When the contracting officer has determined that the required precious metals are not available from DSCP;

(2) When the contracting officer knows that the items being acquired do not require precious metals in their manufacture; or

(3) For acquisitions at or below the simplified acquisition threshold.

(b) To make the determination in paragraph (a)(1) of this section, the contracting officer shall consult with the end item inventory manager and comply with the procedures in Chapter 11, DoD 4160.21–M, Defense Materiel Disposition Manual.

Subpart 208.74—Enterprise Software Agreements

SOURCE: 67 FR 65511, Oct. 25, 2002, unless otherwise noted.

208.7400 Scope of subpart.

This subpart prescribes policy and procedures for acquisition of commercial software and software maintenance, including software and software maintenance that is acquired—
(a) As part of a system or system upgrade, where practicable;
(b) Under a service contract;
(c) Under a contract or agreement administered by another agency (e.g., under an interagency agreement);
(d) Under a Federal Supply Schedule contract or blanket purchase agreement established in accordance with FAR 8.405 and 208.405–70; or
(e) By a contractor that is authorized to order from a Government supply source pursuant to FAR 51.101.


208.7401 Definitions.

As used in this subpart—
Enterprise software agreement means an agreement or a contract that is used to acquire designated commercial software or related services such as software maintenance.

Enterprise Software Initiative means an initiative led by the DoD Chief Information Officer to develop processes for DoD-wide software asset management.

Software maintenance means services normally provided by a software company as standard services at established catalog or market prices, e.g., the right to receive and use upgraded versions of software, updates, and revisions.


208.7402 General.

Departments and agencies shall fulfill requirements for commercial software and related services, such as software maintenance, in accordance with the DoD Enterprise Software Initiative (ESI) (see Web site at http://www.donimit.navy.mil/esi). ESI promotes the use of enterprise software agreements (ESAs) with contractors that allow DoD to obtain favorable terms and pricing for commercial software and related services. ESI does not dictate the products or services to be acquired.

208.7403 Acquisition procedures.

Follow the procedures at PGI 208.7403 when acquiring commercial software and related services.

[71 FR 39005, July 11, 2006]

PART 209—CONTRACTOR QUALIFICATIONS

Subpart 209.1—Responsible Prospective Contractors

Sec. 209.101 Definitions.

209.104 Standards.

209.104-1 General standards.

209.104-4 Subcontractor responsibility.

209.107 Solicitation provisions.

209.105 Procedures.

209.105-1 Obtaining information.

209.105-2 Determinations and documentation.

209.105-2-70 Inclusion of determination of contractor fault in Federal Awardee Performance and Integrity Information System (FAPIIS).

209.106 Preaward surveys.

Subpart 209.2—Qualifications Requirements

209.202 Policy.

209.270 Aviation critical safety items.

209.270-1 Scope.

209.270-2 Definitions.

209.270-3 Policy.

209.270-4 Procedures.

209.270-5 Contract clause.

Subpart 209.3 [Reserved]

Subpart 209.4—Debarment, Suspension, and Ineligibility

209.402 Policy.

209.403 Definitions.

209.405 Effect of listing.

209.405-2 Restrictions on subcontracting.

209.406 Debarment.

209.406-1 General.

209.406-2 Causes for debarment.

209.406-3 Procedures.

209.407 Suspension.

209.407-3 Procedures.

209.409 Solicitation provision and contract clause.

209.470 Reserve Officer Training Corps and military recruiting on campus.
54

209.101 Definitions.
209.101–1 Definition.
209.101–2 Policy.
209.101–3 Procedures.
209.101–4 Contract clause.
209.470 Congressional Medal of Honor.

Subpart 209.5—Organizational and Consultant Conflicts of Interest

209.505 General rules.
209.505–4 Obtaining access to proprietary information.
209.570 Limitations on contractors acting as lead system integrators.
209.570–1 Definitions.
209.570–2 Policy.
209.570–3 Procedures.
209.570–4 Solicitation provision and contract clause.

209.571 Organizational conflicts of interest in major defense acquisition programs.
209.571–0 Scope of subpart.
209.571–1 Definitions.
209.571–2 Applicability.
209.571–5 Lead system integrators.
209.571–6 Identification of organizational conflicts of interest.
209.571–7 Systems engineering and technical assistance contracts.
209.571–8 Solicitation provision and contract clause.

SOURCE: 56 FR 36313, July 31, 1991, unless otherwise noted.

Subpart 209.1—Responsible Prospective Contractors

209.104 Standards.
209.104–1 General standards.

(e) For cost-reimbursement or incentive-type contracts, or contracts which provide for progress payments based on costs or on a percentage or stage of completion, the prospective contractor’s accounting system and related internal controls must provide reasonable assurance that—

(i) Applicable laws and regulations are complied with;

(ii) The accounting system and cost data are reliable;

(iii) Risk of misallocations and mischarges are minimized; and

(iv) Contract allocations and charges are consistent with invoice procedures.

(g)(1) Ownership or control by the government of a terrorist country. (A) Under 10 U.S.C. 2327(b), a contracting officer shall not award a contract of $150,000 or more to a firm or to a subsidiary of a firm when a foreign government—

(I) Either directly or indirectly, has a significant interest—

(i) In the firm; or

(ii) In the subsidiary or the firm that owns the subsidiary; and

(2) Has been determined by the Secretary of State under 50 U.S.C. App. 2405(j)(1)(A) to be a government of a country that has repeatedly provided support for acts of international terrorism.

(B) The Secretary of Defense may waive the prohibition in paragraph (g)(1)(A) of this subsection in accordance with 10 U.S.C. 2327(c). This waiver authority may not be delegated.

(C) Forward any information indicating that a firm or a subsidiary of a firm may be owned or controlled by the government of a terrorist country, through agency channels, to: Deputy Director, Defense Procurement (Contract Policy and International Contracting, OUSD(AT&L)DPAP(CPIC)), 3060 Defense Pentagon, Washington, DC 20301–3060.

(ii) Ownership or control by a foreign government when access to proscribed information is required to perform the contract. (A) Under 10 U.S.C. 2536(a), no DoD contract under a national security program may be awarded to an entity controlled by a foreign government if that entity requires access to proscribed information to perform the contract.

(B) Whenever the contracting officer has a question about application of the provision at 252.209–7002, the contracting officer may seek advice from the Security Directorate, Office of the Deputy Under Secretary of Defense, Human Intelligence, Counterintelligence, and Security.

(C) In accordance with 10 U.S.C. 2536(b)(1)(A), the Secretary of Defense
may waive the prohibition in paragraph (g)(i)(A) of this subsection upon determining that the waiver is essential to the national security interests of the United States. The Secretary has delegated authority to grant this waiver to the Undersecretary of Defense for Intelligence. Waiver requests, prepared by the requiring activity in coordination with the contracting officer, shall be processed through the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), and shall include a proposed national interest determination. The proposed national interest determination, prepared by the requiring activity in coordination with the contracting officer, shall include:

(1) Identification of the proposed awardee, with a synopsis of its foreign ownership (include solicitation and other reference numbers to identify the action);

(2) General description of the acquisition and performance requirements;

(3) Identification of the national security interests involved and the ways award of the contract helps advance those interests;

(4) The availability of another entity with the capacity, capability and technical expertise to satisfy defense acquisition, technology base, or industrial base requirements; and

(5) A description of any alternate means available to satisfy the requirement, e.g., use of substitute products or technology or alternate approaches to accomplish the program objectives.

(D) In accordance with 10 U.S.C. 2536(b)(1)(B), the Secretary of Defense may, in the case of a contract awarded for environmental restoration, remediation, or waste management at a DoD facility, waive the prohibition in paragraph (g)(i)(A) of this subsection upon—

(1) Determining that—

(i) The waiver will advance the environmental restoration, remediation, or waste management objectives of DoD and will not harm the national security interests of the United States; and

(ii) The entity to which the contract is awarded is controlled by a foreign government with which the Secretary is authorized to exchange Restricted Data under section 144c. of the Atomic Energy Act of 1954 (42 U.S.C. 2164(c)); and

(2) Notifying Congress of the decision to grant the waiver. The contract may be awarded only after the end of the 45-day period beginning on the date the notification is received by the appropriate Congressional committees.


209.104–4 Subcontractor responsibility.

Generally, the Canadian Commercial Corporation’s (CCC) proposal of a firm as its subcontractor is sufficient basis for an affirmative determination of responsibility. However, when the CCC determination of responsibility is not consistent with other information available to the contracting officer, the contracting officer shall request from CCC and any other sources whatever additional information is necessary to make the responsibility determination.

209.104–70 Solicitation provisions.

(a) Use the provision at 252.209–7001, Disclosure of Ownership or Control by the Government of a Terrorist Country, in all solicitations expected to result in contracts of $150,000 or more. Any disclosure that the government of a terrorist country has a significant interest in an offeror or a subsidiary of an offeror shall be forwarded through the head of the agency to the Director of Defense Procurement and Acquisition Policy, ATTN: OUSD(AT&L)/DPAP/(CPIC), 3060 Defense Pentagon, Washington, DC 20101–3060.

(b) Use the provision at 252.209–7002, Disclosure of Ownership or Control by a Foreign Government, in all solicitations, including those subject to the procedures in FAR part 13, when access to prescribed information is necessary.
to perform a DoD contract under a national security program.


209.105 Procedures.

209.105–1 Obtaining information.

(1) For guidance on using the Excluded Parties List System, see PGI 209.105–1.

(2) A satisfactory performance record is a factor in determining contractor responsibility (see FAR 9.104–1(c)). One source of information relating to contractor performance is the Past Performance Information Retrieval System (PPIRS), available at http://www.ppirs.gov. Information relating to contract terminations for cause and for default is also available through PPIRS (see PGI 212.403(c) and PGI 249.470). This termination information is just one consideration in determining contractor responsibility.

(74 FR 2415, Jan. 15, 2009)

209.105–2 Determinations and documentation.

(a) The contracting officer shall submit a copy of a determination of non-responsibility to the appropriate debarring and suspending official listed in 209.403.

(71 FR 65089, Nov. 10, 2004)

209.105–2–70 Inclusion of determination of contractor fault in Federal Awardee Performance and Integrity Information System (FAPIIS).

If the contractor or a subcontractor at any tier is not subject to the jurisdiction of the U.S. courts and the DoD appointing official that requested a DoD investigation makes a final determination that a contractor’s or subcontractor’s gross negligence or reckless disregard for the safety of civilian or military personnel of the Government caused serious bodily injury or death of such personnel, the contracting officer shall enter in FAPIIS the appropriate information regarding such determination within three days of receiving notice of the determination, pursuant to section 834 of the National Defense Authorization Act for Fiscal Year 2011 (Pub. L. 111–383). Information posted in FAPIIS regarding such determinations will be publicly available.

(76 FR 57677, Sept. 16, 2011)

209.106 Preaward surveys.

When requesting a preaward survey, follow the procedures at PGI 209.106.

(69 FR 65089, Nov. 10, 2004)

Subpart 209.2—Qualifications Requirements

209.202 Policy.

(a)(1) Except for aviation or ship critical safety items, obtain approval in accordance with PGI 209.202(a)(1) when establishing qualification requirements. See 209.270 for approval of qualification requirements for aviation or ship critical safety items.

(73 FR 1827, Jan. 10, 2008)

209.270 Aviation and ship critical safety items.

209.270–1 Scope.

This section—

(a) Implements—

(1) Section 802 of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. 108–136); and

(2) Section 130 of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364); and

(b) Prescribes policy and procedures for qualification requirements in the procurement of aviation and ship critical safety items and the modification, repair, and overhaul of those items.

(73 FR 1827, Jan. 10, 2008)

209.270–2 Definitions.

As used in this section—

Aviation critical safety item means a part, an assembly, installation equipment, launch equipment, recovery equipment, or support equipment for an aircraft or aviation weapon system if the part, assembly, or equipment contains a characteristic any failure, malfunction, or absence of which could cause—
(1) A catastrophic or critical failure resulting in the loss of or serious damage to the aircraft or weapon system;
(2) An unacceptable risk of personal injury or loss of life; or
(3) An uncommanded engine shutdown that jeopardizes safety.

Design control activity—(1) With respect to an aviation critical safety item, means the systems command of a military department that is specifically responsible for ensuring the airworthiness of an aviation system or equipment in which an aviation critical safety item is to be used; and
(2) With respect to a ship critical safety item, means the systems command of a military department that is specifically responsible for ensuring the seaworthiness of a ship or ship equipment in which a ship critical safety item is to be used.

Ship critical safety item means any ship part, assembly, or support equipment containing a characteristic the failure, malfunction, or absence of which could cause—
(1) A catastrophic or critical failure resulting in loss of or serious damage to the ship; or
(2) An unacceptable risk of personal injury or loss of life.


209.270–3 Policy.

(a) The head of the contracting activity responsible for procuring an aviation or ship critical safety item may enter into a contract for the procurement, modification, repair, or overhaul of such an item only with a source approved by the head of the design control activity.

(b) The approval authorities specified in this section apply instead of those otherwise specified in FAR 9.202(a)(1), 9.202(c), or 9.206–1(c), for the procurement, modification, repair, or overhaul of aviation or ship critical safety items.

[73 FR 1827, Jan. 10, 2008]

209.270–4 Procedures.

(a) The head of the design control activity shall—
(1) Identify items that meet the criteria for designation as aviation or ship critical safety items. See additional information at PGI 209.270–4;
(2) Approve qualification requirements in accordance with procedures established by the design control activity; and
(3) Qualify and identify aviation and ship critical safety item suppliers and products.

(b) The contracting officer shall—
(1) Ensure that the head of the design control activity has determined that a prospective contractor or its product meets or can meet the established qualification standards before the date specified for award of the contract;
(2) Refer any offers received from an unapproved source to the head of the design control activity for approval. The head of the design control activity will determine whether the offeror or its product meets or can meet the established qualification standards before the date specified for award of the contract; and
(3) Refer any requests for qualification to the design control activity.

(c) See 246.407 (S–70) and 246.504 for quality assurance requirements.


209.270–5 Contract clause.

The contracting officer shall insert the clause at 252.209–7010, Critical Safety Items, in solicitations and contracts when the acquisition includes one or more items designated by the design control activity as critical safety items.

[76 FR 52139, Aug. 19, 2011]

Subpart 209.3 [Reserved]

Subpart 209.4—Debarment, Suspension, and Ineligibility

209.402 Policy.

(d) The uniform suspension and debarment procedures to be followed by all debarring and suspending officials are set out in appendix H to this chapter.

(e) The department or agency shall provide a copy of the Debarment and Suspension Procedures at DFARS appendix H to this chapter to contractors
209.403 Definitions.

Debarring and suspending official. (1) For DoD, the designees are—

Army—Commander, U.S. Army Legal Services Agency
Navy—The Assistant General Counsel (Acquisition Integrity)
Air Force—Deputy General Counsel (Contractor Responsibility)
Defense Advanced Research Projects Agency—The Director
Defense Information Systems Agency—The General Counsel
Defense Threat Reduction Agency—The Director
National Geospatial-Intelligence Agency—The General Counsel
Defense Threat Reduction Agency—The Director
National Security Agency—The Senior Acquisition Executive
Missile Defense Agency—The General Counsel

Overseas installations—as designated by the agency head

(2) Overseas debarring and suspending officials—

(i) Are authorized to debar or suspend contractors located within the official’s geographic area of responsibility under any delegation of authority they receive from their agency head.

(ii) Debar or suspend in accordance with the procedures in FAR subpart 9.4 or under modified procedures approved by the agency head based on consideration of the laws or customs of the foreign countries concerned.

(iii) In addition to the bases for debarment in FAR 9.406–2, may consider the following additional bases—

(A) The foreign country concerned determines that a contractor has engaged in bid-rigging, price-fixing, or other anti-competitive behavior; or

(B) The foreign country concerned declares the contractor to be formally debarred, suspended, or otherwise ineligible to contract with that foreign government or its instrumentalities.

(3) The Defense Logistics Agency Special Assistant for Contracting Integrity is the exclusive representative of the Secretary of Defense to suspend and debar contractors from the purchase of Federal personal property under the Federal Property Management Regulations (41 CFR 101–45.6) and the Defense Materiel Disposition Manual (DoD 4190.21–M).


209.405 Effect of listing.

(a) Under 10 U.S.C. 2393(b), when a department or agency determines that a compelling reason exists for it to conduct business with a contractor that is debarred or suspended from procurement programs, it must provide written notice of the determination to the General Services Administration (GSA), GSA Suspension and Debarment Official, Office of Acquisition Policy, 1275 First Street, NE., Washington, DC 20417. Examples of compelling reasons are—

(i) Only a debarred or suspended contractor can provide the supplies or services;

(ii) Urgency requires contracting with a debarred or suspended contractor;

(iii) The contractor and a department or agency have an agreement covering the same events that resulted in the debarment or suspension and the agreement includes the department or agency decision not to debar or suspend the contractor; or

(iv) The national defense requires continued business dealings with the debarred or suspended contractor.

(b)(i) The Procurement Cause and Treatment Code “H” annotation in the GSA List of Parties Excluded from Federal Procurement and Nonprocurement Programs identifies contractor facilities where no part of a contract or subcontract may be performed because of a violation of the Clean Air Act (42 U.S.C. 7606) or the Clean Water Act (33 U.S.C. 1368).

(ii) Under the authority of Section 8 of Executive Order 11738, the agency
head may grant an exemption permitting award to a contractor using a Code “H” ineligible facility if the agency head determines that such an exemption is in the paramount interest of the United States.

(A) The agency head may delegate this exemption authority to a level no lower than a general or flag officer or a member of the Senior Executive Service.

(B) The official granting the exemption—

(1) Shall promptly notify the Environmental Protection Agency suspending and debarring official of the exemption and the corresponding justification; and

(2) May grant a class exemption only after consulting with the Environmental Protection Agency suspending and debarring official.

(C) Exemptions shall be for a period not to exceed one year. The continuing necessity for each exemption shall be reviewed annually and, upon the making of a new determination, may be extended for periods not to exceed one year.

(D) All exemptions must be reported annually to the Environmental Protection Agency suspending and debarring official.

(E) See PGI 209.405 for additional procedures and information.

[74 FR 2414, Jan. 15, 2009, as amended at 76 FR 27274, May 11, 2011]

209.406 Debarment.

209.406–1 General.

(a)(i) When the debarring official decides that debarment is not necessary, the official may require the contractor to enter into a written agreement which includes—

(A) A requirement for the contractor to establish, if not already established, and to maintain the standards of conduct and internal control systems prescribed by subpart 203.70; and

(B) Other requirements the debarring official considers appropriate.

(ii) Before the debarring official decides not to suspend or debar in the case of an indictment or conviction for a felony, the debarring official must determine that the contractor has addressed adequately the circumstances that gave rise to the misconduct, and that appropriate standards of ethics and integrity are in place and are working.

[57 FR 14992, Apr. 23, 1992]

209.406–2 Causes for debarment.

(1) Any person shall be considered for debarment if criminally convicted of intentionally affixing a label bearing a “Made in America” inscription to any product sold in or shipped to the United States or its outlying areas that was not made in the United States or its outlying areas (10 U.S.C. 2410f).

(i) The debarring official will make a determination concerning debarment not later than 90 days after determining that a person has been so convicted.

(ii) In cases where the debarring official decides not to debar, the debarring official will report that decision to the Director of Defense Procurement and Acquisition Policy who will notify Congress within 30 days after the decision is made.

(2) Any contractor that knowingly provides compensation to a former DoD official in violation of section 847 of the National Defense Authorization Act for Fiscal Year 2008 may face suspension and debarment proceedings in accordance with 41 U.S.C. 2105(c)(1)(C).


§ 209.406–3 Procedures.

Refer all matters appropriate for consideration by an agency debarring and suspending official as soon as practicable to the appropriate debarring and suspending official identified in
209.403. Any person may refer a matter to the debarring and suspending official. Follow the procedures at PGI 209.406–3.

[69 FR 74990, Dec. 15, 2004]

209.407 Suspension.

§ 209.407–3 Procedures.

Refer all matters appropriate for consideration by an agency debarring and suspending official as soon as practicable to the appropriate debarring and suspending official identified in 209.403. Any person may refer a matter to the debarring and suspending official. Follow the procedures at PGI 209.407–3.

[69 FR 74990, Dec. 15, 2004]

209.409 Solicitation provision and contract clause.

Use the clause at 252.209–7004, Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country, in solicitations and contracts with a value of $150,000 or more.


209.470 Reserve Officer Training Corps and military recruiting on campus.

209.470–1 Definition.

Institution of higher education, as used in this section, means an institution that meets the requirements of 20 U.S.C. 1001 and includes all subelements of such an institution.

[65 FR 2056, Jan. 13, 2000]

209.470–2 Policy.

(a) Except as provided in paragraph (b) of this subsection, 10 U.S.C. 983 prohibits DoD from providing funds by contract or grant to an institution of higher education if the Secretary of Defense determines that the institution has a policy or practice that prohibits or in effect prevents—

(1) The Secretary of a military department from maintaining, establishing, or operating a unit of the Senior Reserve Officer Training Corps (ROTC) at that institution;

(2) A student at that institution from enrolling in a unit of the senior ROTC at another institution of higher education;

(3) The Secretary of a military department or the Secretary of Transportation from gaining entry to campuses, or access to students on campuses, for purposes of military recruiting; or

(4) Military recruiters from accessing certain information pertaining to students enrolled at that institution.

(b) The prohibition in paragraph (a) of this subsection does not apply to an institution of higher education if the Secretary of Defense determines that—

(1) The institution has ceased the policy or practice described in paragraph (a) of this subsection; or

(2) The institution has a long-standing policy of pacifism based on historical religious affiliation.

[65 FR 2057, Jan. 13, 2000, as amended at 67 FR 49254, July 30, 2002]

209.470–3 Procedures.

If the Secretary of Defense determines that an institution of higher education is ineligible to receive DoD funds because of a policy or practice described in 209.470–2(a)—

(a) The Secretary of Defense will list the institution on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs published by General Services Administration (also see FAR 9.404 and 32 CFR part 216); and

(b) DoD components—

(1) Shall not solicit offers from, award contracts to, or consent to subcontracts with the institution;

(2) Shall make no further payments under existing contracts with the institution; and

(3) Shall terminate existing contracts with the institution.

[65 FR 2057, Jan. 13, 2000, as amended at 67 FR 49254, July 30, 2002]

209.470–4 Contract clause.

Use the clause at 252.209–7005, Reserve Officer Training Corps and Military Recruiting on Campus, in all solicitations and contracts with institutions of higher education.

[65 FR 2057, Jan. 13, 2000]
209.471 Congressional Medal of Honor. In accordance with Section 8118 of Pub. L. 105–262, do not award a contract to, extend a contract with, or approve the award of a subcontract to any entity that, within the preceding 15 years, has been convicted under 18 U.S.C. 704 of the unlawful manufacture or sale of the Congressional Medal of Honor. Any entity so convicted will be listed as ineligible on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs published by the General Services Administration.

Subpart 209.5—Organizational and Consultant Conflicts of Interest

SOURCE: 73 FR 1824, Jan. 10, 2008, unless otherwise noted.

209.505 General rules.

209.505–4 Obtaining access to proprietary information.

(b) Non-disclosure requirements for contractors accessing third party proprietary technical data or computer software are addressed at 227.7103–7(b), through use of the clause at 252.227–7025 as prescribed at 227.7103–6(c) and 227.7203–6(d). Pursuant to that clause, covered Government support contractors may be required to enter into non-disclosure agreements directly with the third party asserting restrictions on limited rights technical data, commercial technical data, or restricted rights computer software.

[76 FR 11367, Mar. 2, 2011]

209.570 Limitations on contractors acting as lead system integrators.

209.570–1 Definitions.

Lead system integrator, as used in this section, is defined in the clause at 252.209–7007, Prohibited Financial Interests for Lead System Integrators. See PGI 209.570–1 for additional information.

209.570–2 Policy.

(a) Except as provided in paragraph (b) of this subsection, 10 U.S.C. 2410p prohibits any entity performing lead system integrator functions in the acquisition of a major system by DoD from having any direct financial interest in the development or construction of any individual system or element of any system of systems.

(b) The prohibition in paragraph (a) of this subsection does not apply if—

(1) The Secretary of Defense certifies to the Committees on Armed Services of the Senate and the House of Representatives that—

(i) The entity was selected by DoD as a contractor to develop or construct the system or element concerned through the use of competitive procedures; and

(ii) DoD took appropriate steps to prevent any organizational conflict of interest in the selection process; or

(2) The entity was selected by a subcontractor to serve as a lower-tier subcontractor, through a process over which the entity exercised no control.

(c) In accordance with Section 802 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110–181), DoD may award a new contract for lead system integrator functions in the acquisition of a major system only if—

(1) The major system has not yet proceeded beyond low-rate initial production; or

(2) The Secretary of Defense determines in writing that it would not be practicable to carry out the acquisition without continuing to use a contractor to perform lead system integrator functions and that doing so is in the best interest of DoD. The authority to make this determination may not be delegated below the level of the Under Secretary of Defense for Acquisition, Technology, and Logistics. (Also see 209.570–3(b).)

(d) Effective October 1, 2010, DoD is prohibited from awarding a new contract for lead system integrator functions in the acquisition of a major system to any entity that was not performing lead system integrator functions in the acquisition of the major system prior to January 28, 2008.


209.570–3 Procedures.

(a) In making a responsibility determination before awarding a contract
for the acquisition of a major system, the contracting officer shall—

(1) Determine whether the prospective contractor meets the definition of “lead system integrator”;

(2) Consider all information regarding the prospective contractor’s direct financial interests in view of the prohibition at 209.570–2(a), and

(3) Follow the procedures at PGI 209.570–3.

(b) A determination to use a contractor to perform lead system integrator functions in accordance with 209.570–2(c)(2)—

(1) Shall specify the reasons why it would not be practicable to carry out the acquisition without continuing to use a contractor to perform lead system integrator functions, including a discussion of alternatives, such as use of the DoD workforce or a system engineering and technical assistance contractor;

(2) Shall include a plan for phasing out the use of contracted lead system integrator functions over the shortest period of time consistent with the interest of the national defense; and

(3) Shall be provided to the Committees on Armed Services of the Senate and the House of Representatives at least 45 days before the award of a contract pursuant to the determination.

[74 FR 34268, July 15, 2009]

209.570–4 Solicitation provision and contract clause.

(a) Use the provision at 252.209–7006, Limitations on Contractors Acting as Lead System Integrators, in solicitations for the acquisition of a major system when the acquisition strategy envisions the use of a lead system integrator.

(b) Use the clause at 252.209–7007, Prohibited Financial Interests for Lead System Integrators—

(1) In solicitations that include the provision at 252.209–7006; and

(2) In contracts when the contractor will fill the role of a lead system integrator for the acquisition of a major system.
Defense Acquisition Regulations System, DOD 209.571–6

(E) Developing cost estimates;
(F) Determining specifications;
(G) Evaluating contractor performance and conducting independent verification and validation;
(H) Directing other contractors’ (other than subcontractors) operations;
(I) Developing test requirements and evaluating test data;
(J) Developing work statements (but see paragraph (ii)(B) of this definition).

(ii) Does not include—
(A) Design and development work of design and development contractors, in accordance with FAR 9.505–2(a)(3) or FAR 9.505–2(b)(3), and the guidance at PGI 209.571–7; or
(B) Preparation of work statements by contractors, acting as industry representatives, under the supervision and control of Government representatives, in accordance with FAR 9.505–2(b)(1)(ii).

[75 FR 81913, Dec. 29, 2010]

209.571–2 Applicability.

(a) This subsection applies to major defense acquisition programs.
(b) To the extent that this section is inconsistent with FAR subpart 9.5, this section takes precedence.

[75 FR 81913, Dec. 29, 2010]

209.571–3 Policy.

It is DoD policy that—
(a) Agencies shall obtain advice on major defense acquisition programs and pre-major defense acquisition programs from sources that are objective and unbiased; and
(b) Contracting officers generally should seek to resolve organizational conflicts of interest in a manner that will promote competition and preserve DoD access to the expertise and experience of qualified contractors. Accordingly, contracting officers should, to the extent feasible, employ organizational conflict of interest resolution strategies that do not unnecessarily restrict the pool of potential offerors in current or future acquisitions. Further, contracting activities shall not impose across-the-board restrictions or limitations on the use of particular resolution methods, except as may be required under 209.571–7 or as may be appropriate in particular acquisitions.

[75 FR 81913, Dec. 29, 2010]

209.571–4 Mitigation.

(a) Mitigation is any action taken to minimize an organizational conflict of interest. Mitigation may require Government action, contractor action, or a combination of both.
(b) If the contracting officer and the contractor have agreed to mitigation of an organizational conflict of interest, a Government-approved Organizational Conflict of Interest Mitigation Plan, reflecting the actions a contractor has agreed to take to mitigate a conflict, shall be incorporated into the contract.
(c) If the contracting officer determines, after consultation with agency legal counsel, that the otherwise successful offeror is unable to effectively mitigate an organizational conflict of interest, then the contracting officer, taking into account both the instant contract and longer term Government needs, shall use another approach to resolve the organizational conflict of interest, select another offeror, or request a waiver in accordance with FAR 9.503 (but see statutory prohibition in 209.571–7, which cannot be waived).
(d) For any acquisition that exceeds $1 billion, the contracting officer shall brief the senior procurement executive before determining that an offeror’s mitigation plan is unacceptable.

[75 FR 81913, Dec. 29, 2010]

209.571–5 Lead system integrators.

For limitations on contractors acting as lead systems integrators, see 209.570.

[75 FR 81913, Dec. 29, 2010]

209.571–6 Identification of organizational conflicts of interest.

When evaluating organizational conflicts of interest for major defense acquisition programs or pre-major defense acquisition programs, contracting officers shall consider—
(a) The ownership of business units performing systems engineering and technical assistance, professional services, or management support services to a major defense acquisition program
209.571–7 Systems engineering and technical assistance contracts. 
(a) Agencies shall obtain advice on systems architecture and systems engineering matters with respect to major defense acquisition programs or pre-major defense acquisition programs from Federally Funded Research and Development Centers or other sources independent of the major defense acquisition program contractor. 
(b) Limitation on Future Contracting. 
(1) Except as provided in paragraph (c) of this subsection, a contract for the performance of systems engineering and technical assistance for a major defense acquisition program or a pre-major defense acquisition program shall prohibit the contractor or any affiliate of the contractor from participating as a contractor or major subcontractor in the development or production of a weapon system under such program. 
(2) The requirement in paragraph (b)(1) of this subsection cannot be waived. 
(c) Exception. (1) The requirement in paragraph (b)(1) of this subsection does not apply if the head of the contracting activity determines that— 
(i) An exception is necessary because DoD needs the domain experience and expertise of the highly qualified, apparently successful offeror; and 
(ii) Based on the agreed-to resolution strategy, the apparently successful offeror will be able to provide objective and unbiased advice, as required by 209.571–3(a), without a limitation on future participation in development and production. 
(2) The authority to make this determination cannot be delegated. 
[75 FR 81913, Dec. 29, 2010] 

209.571–8 Solicitation provision and contract clause. 
(a) Use the provision at 252.209–7008, Notice of Prohibition Relating to Organizational Conflict of Interest—Major Defense Acquisition Program, if the solicitation includes the clause at 252.209–7009, Organizational Conflict of Interest—Major Defense Acquisition Program; and 
(b) Use the clause at 252.209–7009, Organizational Conflict of Interest—Major Defense Acquisition Program, in solicitations and contracts for systems engineering and technical assistance for major defense acquisition programs or pre-major defense acquisition programs. 
[75 FR 81913, Dec. 29, 2010] 

PART 210—MARKET RESEARCH 


210.001 Policy. 
(a) In addition to the requirements of FAR 10.001(a), agencies shall— 
(i) Conduct market research appropriate to the circumstances before— 
(A) Soliciting offers for acquisitions that could lead to a consolidation of contract requirements as defined in 207.170–2; or 
(B) Issuing a solicitation with tiered evaluation of offers (Section 816 of Public Law 109–169); and 
(ii) Use the results of market research to determine— 
(A) Whether consolidation of contract requirements is necessary and justified in accordance with § 207.170–3; or 
(B) Whether the criteria in FAR part 19 are met for setting aside the acquisition for small business or, for a task or

or a pre-major defense acquisition program by a contractor who simultaneously owns a business unit competing (or potentially competing) to perform as— 
(1) The prime contractor for the same major defense acquisition program; or 
(2) The supplier of a major subsystem or component for the same major defense acquisition program. 
(b) The proposed award of a major subsystem by a prime contractor to business units or other affiliates of the same parent corporate entity, particularly the award of a subcontract for software integration or the development of a proprietary software system architecture; and 
(c) The performance by, or assistance of, contractors in technical evaluation. 

[75 FR 81913, Dec. 29, 2010] 

209.571–3 OTHER CONFLICT OF INTEREST REQUIREMENTS. 

(a) In addition to the requirements of FAR 209.571–7, agencies shall— 
(i) In any situation where a contractor is the same as or related to a competitor or potential competitor to perform a defense acquisition, require that the contractor be under no conflict of interest; or 
(ii) In any situation where a contractor is the same as or related to a competitor or potential competitor to perform a defense acquisition, require that an independent contractor be used and that the independent contractor be under no conflict of interest; and 
(b) Require that the independent contractor be under no conflict of interest and that the contractor be under no conflict of interest; and 
(c) Require that the independent contractor be under no conflict of interest; and 
(d) Require that the independent contractor be under no conflict of interest.

[75 FR 81913, Dec. 29, 2010]
Defense Acquisition Regulations System, DOD 211.002 Policy.

Sec. 211.002 Policy.

211.002–70 Contract clause.

Subpart 211.1—Selecting and Developing Requirements Documents

211.105 Items peculiar to one manufacturer.

211.106 Purchase descriptions for service contracts.

211.107 Solicitation provision.

Subpart 211.2—Using and Maintaining Requirements Documents

211.201 Identification and availability of specifications.

211.204 Solicitation provisions and contract clauses.

211.270 [Reserved]

211.271 Elimination of use of class I ozone-depleting substances.

211.272 Alternate preservation, packaging, and packing.

211.273 Substitutions for military or Federal specifications and standards.

211.273–1 Definition.

211.273–2 Policy.

211.273–3 Procedures.

211.273–4 Contract clause.

211.274 Item identification and valuation requirements.

211.274–1 General.

211.274–2 Policy for unique item identification.

211.274–3 Policy for valuation.

211.274–4 Policy for reporting of Government-furnished equipment in the DoD Item Unique Identification (IUID) Registry.

211.274–5 Policy for assignment of Government-assigned serial numbers.

211.274–6 Contract clauses.

211.275 Passive radio frequency identification.

211.275–1 Definitions.

211.275–2 Policy.

211.275–3 Contract clause.

Subpart 211.5—Liquidated Damages

211.503 Contract clauses.

Subpart 211.6—Priorities and Allocations

211.602 General.


SOURCE: 60 FR 61594, Nov. 30, 1995, unless otherwise noted.

211.002 Policy.

All defense technology and acquisition programs in DoD are subject to the policies and procedures in DoDD 5000.1, The Defense Acquisition System, and DoDI 5000.2, Operation of the Defense Acquisition System.

[71 FR 27641, May 12, 2006]

211.002–70 Contract clause.

Use the clause at 252.211–7000, Acquisition Streamlining, in all

Subpart 211.1—Selecting and Developing Requirements Documents

211.105 Items peculiar to one manufacturer.

Follow the publication requirements at PGI 211.105.

[70 FR 23804, May 5, 2005]

211.106 Purchase descriptions for service contracts.

Agencies shall require that purchase descriptions for service contracts and resulting requirements documents, such as statements of work or performance work statements, include language to provide a clear distinction between Government employees and contractor employees. Agencies shall be guided by the characteristics and descriptive elements of personal-services.
contracts at FAR 37.104. Service contracts shall require contractor employees to identify themselves as contractor personnel by introducing themselves or being introduced as contractor personnel and displaying distinguishing badges or other visible identification for meetings with Government personnel. In addition, contracts shall require contractor personnel to appropriately identify themselves as contractor employees in telephone conversations and in formal and informal written correspondence.

[76 FR 25566, May 5, 2011]

211.107 Solicitation provision.

(b) DoD uses the categorical method of reporting. Do not use the provision at FAR 52.211–7, Alternatives to Government–Unique Standards, in DoD solicitations.

[65 FR 6553, Feb. 10, 2000]

Subpart 211.2—Using and Maintaining Requirements Documents

211.201 Identification and availability of specifications.

Follow the procedures at PGI 211.201 for use of specifications, standards, and data item descriptions.

[71 FR 27641, May 12, 2006]

211.204 Solicitation provisions and contract clauses.

(c) When contract performance requires use of specifications, standards, and data item descriptions that are not listed in the Acquisition Streamlining and Standardization Information System database, use provisions, as appropriate, substantially the same as those at—

(i) 252.211–7001, Availability of Specifications, Standards, and Data Item Descriptions Not Listed in the Acquisition Streamlining and Standardization Information System (ASSIST), and Plans, Drawings, and Other Pertinent Documents; and

(ii) 252.211–7002, Availability for Examination of Specifications, Standards, Plans, Drawings, Data Item Descriptions, and Other Pertinent Documents.

[71 FR 27641, May 12, 2006]

211.270 [Reserved]

211.271 Elimination of use of class I ozone-depleting substances.

See subpart 223.8 for restrictions on contracting for ozone-depleting substances.

[70 FR 73150, Dec. 9, 2005]

211.272 Alternate preservation, packaging, and packing.

Use the provision at 252.211–7004, Alternate Preservation, Packaging, and Packing, in solicitations which include military preservation, packaging, or packing specifications when it is feasible to evaluate and award using commercial or industrial preservation, packaging, or packing.

211.273 Substitutions for military or Federal specifications and standards.

211.273–1 Definition.

SPI process, as used in this section, is defined in the clause at 252.211–7005, Substitutions for Military or Federal Specifications and Standards.


211.273–2 Policy.

(a) Under the Single Process Initiative (SPI), DoD accepts SPI processes in lieu of specific military or Federal specifications or standards that specify a management or manufacturing process.

(b) DoD acceptance of an SPI process follows the decision of a Management Council, which includes representatives of the contractor, the Defense Contract Management Agency, the Defense Contract Audit Agency, and the military departments.

(c) In procurements of previously developed items, SPI processes that previously were accepted by the Management Council shall be considered valid replacements for military or Federal

211.273–3 Procedures.

Follow the procedures at PGI 211.273–3 for encouraging the use of SPI processes instead of military or Federal specifications and standards.

[71 FR 27641, May 12, 2006]

211.273–4 Contract clause.

Use the clause at 252.211–7005, Substitutions for Military or Federal Specifications and Standards, in solicitations and contracts exceeding the micro-purchase threshold, when procuring previously developed items.


211.274 Item identification and valuation requirements.

211.274–1 General.

Unique item identification and valuation is a system of marking and valuing items delivered to DoD that will enhance logistics, contracting, and financial business transactions supporting the United States and coalition troops. Through unique item identification policy, which capitalizes on leading practices and embraces open standards, DoD can—

(a) Achieve lower life-cycle cost of item management and improve life-cycle property management;
(b) Improve operational readiness;
(c) Provide reliable accountability of property and asset visibility throughout the life cycle; and
(d) Reduce the burden on the workforce through increased productivity and efficiency.

[70 FR 20836, Apr. 22, 2005]

211.274–2 Policy for unique item identification.

(a) It is DoD policy that DoD unique item identification, or a DoD recognized unique identification equivalent, is required for—

(1) All delivered items for which the Government’s unit acquisition cost is $5,000 or more;
(2) Items for which the Government’s unit acquisition cost is less than $5,000, when identified by the requiring activity as serially managed, mission essential, or controlled inventory;
(3) Items for which the Government’s unit acquisition cost is less than $5,000, when the requiring activity determines that permanent identification is required; and
(4) Regardless of value—
   (i) Any DoD serially managed subassembly, component, or part embedded within a delivered item;
   (ii) The parent item (as defined in 252.211–7003(a)) that contains the embedded subassembly, component, or part; and
   (iii) Any warranted serialized item.
(b) Exceptions. The Contractor will not be required to provide DoD unique item identification if—

(1) The items, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack; or

(2) A determination and findings has been executed concluding that it is more cost effective for the Government requiring activity to assign, mark, and register the unique item identification after delivery of an item acquired from a small business concern or a commercial item acquired under FAR Part 12 or Part 8.

(i) The determination and findings shall be executed by—

   (A) The Component Acquisition Executive for an acquisition category (ACAT) I program; or
   (B) The head of the contracting activity for all other programs.

(ii) The DoD Unique Item Identification Program Office must receive a copy of the determination and findings required by paragraph (b)(2)(i) of this subsection. Send the copy to DPAP, SPEC ASST, 3060 Defense Pentagon, 3E1044, Washington, DC 20301–3060; or by facsimile to (703) 695–7596.

[70 FR 20836, Apr. 22, 2005, as amended at 76 FR 33168, June 8, 2011]
211.274–3 Policy for valuation.

(a) It is DoD policy that contractors shall be required to identify the Government’s unit acquisition cost (as defined in 252.211–7003(a)) for all items delivered, even if none of the criteria for placing a unique item identification mark applies.

(b) The Government’s unit acquisition cost is—

(1) For fixed-price type line, subline, or exhibit line items, the unit price identified in the contract at the time of delivery;

(2) For cost-type or undefined line, subline, or exhibit line items, the contractor’s estimated fully burdened unit cost to the Government at the time of delivery; and

(3) For items delivered under a time-and-materials contract, the contractor’s estimated fully burdened unit cost to the Government at the time of delivery.

(c) The Government’s unit acquisition cost of subassemblies, components, and parts embedded in delivered items need not be separately identified.

[70 FR 20836, Apr. 22, 2005]

211.274–4 Policy for reporting of Government-furnished equipment in the DoD Item Unique Identification (IUID) Registry.

It is DoD policy that Government-furnished equipment be recorded in the DoD IUID Registry, except for—

(a) Items with an acquisition cost of less than $5,000 that are not identified as serially managed, mission essential, sensitive, or controlled inventory, unless the terms and conditions of the contract state otherwise;

(b) Government-furnished material;

(c) Reparables;

(d) Contractor-acquired property as defined in FAR Part 45;

(e) Property under any statutory leasing authority;

(f) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments;

(g) Intellectual property or software; and

(h) Real property.

[73 FR 70908, Nov. 24, 2008]

211.274–5 Policy for assignment of Government-assigned serial numbers.

It is DoD policy that contractors apply Government-assigned serial numbers, such as tail numbers/hull numbers and equipment registration numbers, in human-readable format on major end items when required by law, regulation, or military operational necessity. The latest version of MIL-STD-130, Marking of U.S. Military Property, shall be used for the marking of human-readable information.

[75 FR 59103, Sept. 27, 2010]

211.274–6 Contract clauses.

(a)(1) Use the clause at 252.211–7003, Item Identification and Valuation, in solicitations and contracts that—

(i) Require item identification or valuation, or both, in accordance with 211.274–2 and 211.274–3; or

(ii) Contain the clause at 252.211–7007.

(2) Complete paragraph (c)(1)(ii) of the clause with the contract line, subline, or exhibit line item number and description of any item(s) below $5,000 in unit acquisition cost for which DoD unique item identification or a DoD recognized unique identification equivalent is required in accordance with 211.274–2(a)(2) or (3).

(3) Complete paragraph (c)(1)(iii) of the clause with the applicable attachment number, when DoD unique item identification or a DoD recognized unique identification equivalent is required in accordance with 211.274–2(a)(4) for DoD serially managed subassemblies, components, or parts embedded within deliverable items.

(4) Use the clause with its Alternate I if—

(i) An exception in 211.274–2(b) applies; or

(ii) Items are to be delivered to the Government and none of the criteria for placing a unique item identification mark applies.

(b)(1) Use the clause at 252.211–7007, Reporting of Government-Furnished Equipment in the DoD Item Unique Identification (IUID) Registry, in solicitations and contracts that contain the clause at—

(i) FAR 52.245–1, Government Property; or


211.275 Passive radio frequency identification.

211.275–1 Definitions.

Bulk commodities, case, palletized unit load, passive RFID tag, and radio frequency identification are defined in the clause at 252.211–7006, Passive Radio Frequency Identification.

211.275–2 Policy.

(a) Except as provided in paragraph (b) of this section, radio frequency identification (RFID), in the form of a passive RFID tag, is required for cases and palletized unit loads packaging levels and any additional consolidation level(s) deemed necessary by the requiring activity for shipments of items that—

(1) Contain items in any of the following classes of supply, as defined in DoD 4140.1–R, DoD Supply Chain Material Management Regulation, AP1.1.11:

(i) Subclass of Class I—Packaged operational rations.

(ii) Class II—Clothing, individual equipment, tentage, organizational tool kits, hand tools, and administrative and housekeeping supplies and equipment.

(iii) Class III—Packaged petroleum, lubricants, oils, preservatives, chemicals, and additives.

(iv) Class IV—Construction and barrier materials.

(v) Class VI—Personal demand items (non-military sales items).

(vi) Subclass of Class VIII—Medical materials (excluding pharmaceuticals, biologicals, and reagents—suppliers should limit the mixing of excluded and non-excluded materials).

(vii) Class IX—Repair parts and components including kits, assemblies and subassemblies, reparable and consumable items required for maintenance support of all equipment, excluding medical-peculiar repair parts; and

(2) Will be shipped to one of the locations listed at http://www.acq.osd.mil/log/rfid/or to—

(i) A location outside the contiguous United States when the shipment has been assigned Transportation Priority 1; or

(ii) Any additional location(s) deemed necessary by the requiring activity.

(b) The following are excluded from the requirements of paragraph (a) of this subsection:

(1) Shipments of bulk commodities.

(2) Shipments to locations other than Defense Distribution Depots when the contract includes the clause at FAR 52.213–1, Fast Payment Procedures.

211.275–3 Contract clause.

Use the clause at 252.211–7006, Passive Radio Frequency Identification, in solicitations and contracts that will require shipment of items meeting the criteria at 211.275–2, and complete paragraph (b)(1)(ii) of the clause at 252.211–7006 as appropriate.

[76 FR 58143, Sept. 20, 2011]

Subpart 211.5—Liquidated Damages

211.503 Contract clauses.

(b) Use the clause at FAR 52.211–12, Liquidated Damages—Construction, in all construction contracts exceeding $650,000, except cost-plus-fixed-fee contracts or contracts where the contractor cannot control the pace of the work. Use of the clause in contracts of $650,000 or less is optional.

Subpart 211.6—Priorities and Allocations

211.602 General.

DoD implementation of the Defense Priorities and Allocations System is in DoDD 4400.1, Defense Production Act Programs.

[64 FR 51075, Sept. 21, 1999]

PART 212—ACQUISITION OF COMMERCIAL ITEMS

Subpart 212.1—Acquisition of Commercial Items—General

Sec.
212.102 Applicability.

Subpart 212.2—Special Requirements for the Acquisition of Commercial Items

212.207 Contract type.
212.211 Technical data.
212.212 Computer software.
212.270 Major weapon systems as commercial items.

Subpart 212.3—Solicitation Provisions and Contract Clauses for the Acquisition of Commercial Items

212.301 Solicitation provisions and contract clauses for the acquisition of commercial items.
212.302 Tailoring of provisions and clauses for the acquisition of commercial items.

Subpart 212.5—Applicability of Certain Laws to the Acquisition of Commercial Items

212.503 Applicability of certain laws to executive agency contracts for the acquisition of commercial items.
212.504 Applicability of certain laws to subcontracts for the acquisition of commercial items.
212.507 Applicability of certain laws to contracts and subcontracts for the acquisition of commercially available off-the-shelf items.

Subpart 212.6—Streamlined Procedures for Evaluation and Solicitation for Commercial Items

212.602 Streamlined evaluation of offers.

Subpart 212.7—Pilot Program for Transition to Follow-On Contracting After Use of Other Transaction Authority

212.7000 Scope.

48 CFR Ch. 2 (10–1–11 Edition)

212.7001 Definitions.
212.7002 Pilot program.
212.7002-1 Contracts under the program.
212.7002-2 Subcontracts under the program.
212.7002-3 Thresholds.
212.7003 Technical data and computer software.

Subpart 212.71—Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items

212.7100 Scope.
212.7101 Definitions.
212.7102 Pilot program.
212.7103 Solicitation provision.


SOURCE: 60 FR 61595, Nov. 30, 1995, unless otherwise noted.

Subpart 212.1—Acquisition of Commercial Items—General

SOURCE: 73 FR 4114, Jan. 24, 2008, unless otherwise noted.

212.102 Applicability.

(a)(i) When using FAR Part 12 procedures for acquisitions exceeding $1 million in value, the contracting officer shall—
(A) Determine in writing that the acquisition meets the commercial item definition in FAR 2.101; and
(B) Include the written determination in the contract file.

(ii) Follow the procedures at PGI 212.102(a) regarding file documentation.

Subpart 212.2—Special Requirements for the Acquisition of Commercial Items

212.207 Contract type.

(b) In accordance with section 805 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110–181), use of time-and-materials and labor-hour contracts for the acquisition of commercial items is authorized only for the following:
(i) Services acquired for support of a commercial item, as described in paragraph (5) of the definition of commercial item at FAR 2.101 (41 U.S.C. 103).
(ii) Emergency repair services.
(iii) Any other commercial services only to the extent that the head of the agency concerned approves a written
determination by the contracting officer that—
(A) The services to be acquired are commercial services as defined in paragraph (6) of the definition of commercial item at FAR 2.101 (41 U.S.C. 103);
(B) If the services to be acquired are subject to FAR 15.403–1(c)(3)(ii), the offeror of the services has submitted sufficient information in accordance with that subsection;
(C) Such services are commonly sold to the general public through use of time-and-materials or labor-hour contracts; and
(D) The use of a time-and-materials or labor-hour contract type is in the best interest of the Government.


212.211 Technical data.

The DoD policy for acquiring technical data for commercial items is at 227.7102.

212.212 Computer software.

(1) Departments and agencies shall identify and evaluate, at all stages of the acquisition process (including concept refinement, concept decision, and technology development), opportunities for the use of commercial computer software and other non-developmental software in accordance with Section 803 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110–186, Apr. 15, 2009).

(2) See Subpart 208.74 when acquiring commercial software or software maintenance. See 227.7202 for policy on the acquisition of commercial computer software and commercial computer software documentation.

[74 FR 34270, July 15, 2009]

212.270 Major weapon systems as commercial items.

The DoD policy for acquiring major weapon systems as commercial items is in Subpart 234.70.

[71 FR 58538, Oct. 4, 2006]

Subpart 212.3—Solicitation Provisions and Contract Clauses for the Acquisition of Commercial Items

212.301 Solicitation provisions and contract clauses for the acquisition of commercial items.

(f) The following additional provisions and clauses apply to DoD solicitations and contracts for the acquisition of commercial items. If the offeror has completed the provisions listed in paragraph (f)(i) or (ii) of this section electronically as part of its annual representations and certifications at https://orca.bpn.gov, the contracting officer may consider this information instead of requiring the offeror to complete these provisions for a particular solicitation.

(i) Use one of the following provisions as prescribed in part 225:
(B) 252.225–7020, Trade Agreements Certificate.
(C) 252.225–7035, Buy American Act—Free Trade Agreements—Balance of Payments Program Certificate.

(ii) Use the provision at 252.212–7000, Offeror Representations and Certifications—Commercial Items, in all solicitations for commercial items exceeding the simplified acquisition threshold. If an exception to 10 U.S.C. 2410i applies to a solicitation exceeding the simplified acquisition threshold (see 225.7603), indicate on an addendum that “The certification in paragraph (b) of the provision at 252.212–7000 does not apply to this solicitation.”

(iii) Use the clause at 252.212–7001, Contract Terms and Conditions Required to Implement Statutes or Executive Orders Applicable to Defense Acquisitions of Commercial Items, in all solicitations and contracts for commercial items, completing paragraphs (a) and (b), as appropriate.

(iv) Use the provisions and clauses prescribed elsewhere in DFARS as follows:
(A) Use the provision at 252.204–7011, Alternative Line Item Structure, as prescribed in 204.7109(b).
(B) Use the provision at 252.209–7001, Disclosure of Ownership or Control by
the Government of a Terrorist Country, as prescribed in 209.104–70(a).

(C) Use the clause at 252.211–7003, Item Identification and Valuation, as prescribed in 211.274–4.

(D) Use the clause at 252.211–7006, Radio Frequency Identification, as prescribed in 211.275–3.

(E) Use the provision at 252.225–7010, Commercial Derivative Military Article—Specialty Metals Compliance Certificate, as prescribed in 225.7003–5(b).

(F) Use the clause at 252.225–7040, Contractor Personnel Authorized to Accompany U.S. Armed Forces Deployed Outside the United States, as prescribed in 225.7402–4.

(G) Use the clause at 252.225–7043, Antiterrorism/Force Protection Policy for Defense Contractors Outside the United States, as prescribed in solicitations and contracts that include the clause at 252.225–7040.

(H) Use the clause at 252.232–7000, Mandatory Payment by Governmentwide Commercial Purchase Card, as prescribed in 232.1110.

(I) Use the clause at 252.232–7010, Levies on Contract Payments, as prescribed in 232.7102.

(J) Use the clause at 252.232–7011, Payments in Support of Emergencies and Contingency Operations, as prescribed in 232.908.

(K) Use the clause at 252.246–7003, Notification of Potential Safety Issues, as prescribed in 246.371.

(L) Use the provision at 252.247–7026, Evaluation Preference for Use of Domestic Shipyards—Applicable to Acquisition of Carriage by Vessel for DoD Cargo in the Coastwise or Noncontiguous Trade, as prescribed in 247.574(e).

(M) Use the clause at 252.247–7027, Riding Gang Member Requirements, as prescribed in 247.574(f).

[60 FR 61595, Nov. 30, 1995]

EDITORIAL NOTE: For Federal Register citations affecting section 212.301, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.

212.302 Tailoring of provisions and clauses for the acquisition of commercial items.

(c) Tailoring inconsistent with customary commercial practice. The head of the contracting activity is the approval authority within the DoD for waivers under FAR 12.302(c).

Subpart 212.5—Applicability of Certain Laws to the Acquisition of Commercial Items

212.503 Applicability of certain laws to executive agency contracts for the acquisition of commercial items.

(a) The following laws are not applicable to contracts for the acquisition of commercial items:
Defense Acquisition Regulations System, DOD

212.504

Applicability of certain laws to subcontracts for the acquisition of commercial items.

(a) The following laws are not applicable to subcontracts at any tier for the acquisition of commercial items or commercial components:

(i) 10 U.S.C. 2306(b), Prohibition on Contingent Fees.
(iii) 10 U.S.C. 2384(b), Requirement to Identify Suppliers.
(iv) 10 U.S.C. 2397(a)(1), Reports by Employees or Former Employees of Defense Contractors.
(v) 10 U.S.C. 2397(b)(f), Limits on Employment for Former DoD Officials.
(vi) 10 U.S.C. 2397c, Defense Contractor Requirements Concerning Former DoD Officials.
(viii) 10 U.S.C. 2410b, Contractor Inventory Accounting System Standards (see 252.242–7004).
(ix) 107 Stat 1720 (Section 843(a), Public Law 103–160), Reporting Requirement Regarding Dealings with Terrorist Countries.
(x) Domestic Content Restrictions in the National Defense Appropriations Acts for Fiscal Years 1996 and Subsequent Years, unless the restriction specifically applies to commercial items. For the restriction that specifically applies to commercial ball or roller bearings as end items, see 225.7009–2(b) (Section 8064 of Public Law 106–259).
(xi) Section 8116 of the Defense Appropriations Act for Fiscal Year 2010 (Pub. L. 111–118) and similar sections in subsequent DoD appropriations acts.

(c) The applicability of the following laws has been modified in regard to contracts for the acquisition of commercial items:

(i) 10 U.S.C. 2402, Prohibition on Limiting Subcontractor Direct Sales to the United States (see FAR 3.503 and 52.203–6).
(ii) 10 U.S.C. 2306a, Truth in Negotiations Act (see FAR 15.403–1(b)(3)).


212.504 Applicability of certain laws to subcontracts for the acquisition of commercial items.

(a) The following laws are not applicable to subcontracts at any tier for the acquisition of commercial items or commercial components:

(i) 10 U.S.C. 2306(b) Prohibition on Contingent Fees.
(ii) 10 U.S.C. 2313(c), Examination of Records of a Contractor.
(v) 10 U.S.C. 2327, Reporting Requirement Regarding Dealings with Terrorist Countries.
(vi) 10 U.S.C. 2384(b), Requirement to Identify Suppliers.
(x) 10 U.S.C. 2397(b)(f), Limits on Employment for Former DoD Officials.
(xi) 10 U.S.C. 2397c, Defense Contractor Requirements Concerning Former DoD Officials.
(xiii) 10 U.S.C. 2410b, Contractor Inventory Accounting System Standards.
(xvi) 10 U.S.C. 2631, Transportation of Supplies by Sea (except as provided in the clause at 252.247–7023, Transportation of Supplies by Sea).
(xvii) Domestic Content Restrictions in the National Defense Appropriations Acts for Fiscal Years 1996 and Subsequent Years, unless the restriction specifically applies to commercial items. For the restriction that specifically applies to commercial ball or roller bearings as end items, see 225.7009–2(b) (Section 8064 of Public Law 106–259).
(xviii) Section 8116 of the Defense Appropriations Act for Fiscal Year 2010 (Pub. L. 111–118) and similar sections in subsequent DoD appropriations acts.

(b) Certain requirements of the following laws have been eliminated for subcontracts at any tier for the acquisition of commercial items or commercial components:
212.570 Applicability of certain laws to contracts and subcontracts for the acquisition of commercially available off-the-shelf items.

Paragraph (a)(1) of 10 U.S.C. 2533b, Requirement to buy strategic materials critical to national security from American sources, is not applicable to contracts and subcontracts for the acquisition of commercially available off-the-shelf items, except as provided at 225.7003–3(b)(2)(i).


Subpart 212.6—Streamlined Procedures for Evaluation and Solicitation for Commercial Items

212.602 Streamlined evaluation of offers.

(b)(i) For the acquisition of transportation and transportation-related services, also consider evaluating offers in accordance with the criteria at 247.206(1).

(ii) For the acquisition of transportation in supply contracts that will include a significant requirement for transportation of items outside the contiguous United States, also evaluate offers in accordance with the criteria at 247.301–71.

(iii) For the direct purchase of ocean transportation services, also evaluate offers in accordance with the criteria at 247.573–2(c).

[65 FR 50143, Aug. 17, 2000, as amended at 70 FR 35544, June 21, 2005; 72 FR 49205, Aug. 29, 2007]

Subpart 212.7—Pilot Program for Transition to Follow-On Contracting After Use of Other Transaction Authority

SOURCE: 69 FR 63330, Nov. 1, 2004, unless otherwise noted.

212.7000 Scope.


212.7001 Definitions.

As used in this subpart—

Nontraditional defense contractor means a business unit that—

1. Has entered into an other transaction agreement with DoD; and
2. Has not, for a period of at least 1 year prior to the date of the other transaction agreement, entered into or performed on—

(i) Any contract that is subject to full coverage under the cost accounting standards described in FAR Part 30; or
(ii) Any other contract exceeding $500,000 to carry out prototype projects or to perform basic, applied, or advanced research projects for a Federal agency that is subject to the FAR.

Other transaction means a transaction that—

1. Is other than a contract, grant, or cooperative agreement;
2. Is not subject to the FAR or its supplements; and
3. Is entered into in accordance with 32 CFR part 3.

212.7002 Pilot program.

212.7002–1 Contracts under the program.

(a) The contracting officer may use FAR part 12 procedures to award a contract for an item or process that does not meet the definition of “commercial item,” if the contract—

1. Is awarded to a nontraditional defense contractor;
2. Is a follow-on contract for the production of an item or process begun as a prototype project under an other transaction agreement or as a research project carried out in accordance with 10 U.S.C. 2371;
Defense Acquisition Regulations System, DOD 212.7100

(3) Does not exceed $50,000,000;
(4) Is awarded on or before September 30, 2010; and
(5) Is either—
   (i) A firm-fixed-price contract; or
   (ii) A fixed-price contract with economic price adjustment.

(b) See 212.7003 for special procedures pertaining to technical data and computer software.


212.7002–2 Subcontracts under the program.

(a) A subcontract for an item or process that does not meet the definition of “commercial item” may be treated as a subcontract for a commercial item, if the subcontract—
   (1) Is for the production of an item or process begun as a prototype project under an other transaction agreement or as a research project carried out in accordance with 10 U.S.C. 2371;
   (2) Does not exceed $50,000,000;
   (3) Is awarded on or before September 30, 2010;
   (4) Is awarded to a nontraditional defense contractor; and
   (5) Is either—
      (i) A firm-fixed-price subcontract; or
      (ii) A fixed-price subcontract with economic price adjustment.

(b) See 212.7003 for special procedures pertaining to technical data and computer software.

[71 FR 18669, Apr. 12, 2006, as amended at 73 FR 21845, Apr. 23, 2008; 74 FR 2416, Jan. 15, 2009]

212.7002–3 Thresholds.

The contract and subcontract thresholds at 212.7002–1(a)(3) and 212.7002–2(a)(2) include the dollar value of all options in accordance with section 826 of the National Defense Authorization Act for Fiscal Year 2011. See also FAR 1.108(c).

[76 FR 33171, June 8, 2011]

212.7003 Technical data and computer software.

For purposes of establishing delivery requirements and license rights for technical data under 227.7002 and for computer software under 227.7202, there shall be a rebuttable presumption that items or processes acquired under a contract or subcontract awarded in accordance with 212.7002 were developed in part with Federal funds and in part at private expense (i.e., mixed funding).

(a) Delivery requirements. Acquire only the technical data and computer software that are necessary to satisfy agency needs. Follow the requirements at 227.7103–1 and 227.7103–2 for technical data, and 227.7203–1 and 227.7203–2 for computer software.

(b) License rights. Acquire only the license rights in technical data and computer software that are necessary to satisfy agency needs.


(3) Require the contractor to include the clauses prescribed by paragraphs (b)(1) and (2) of this section in subcontracts awarded in accordance with 212.7002–2.

(4) When the standard license rights for items or processes developed with mixed funding do not provide the minimum rights necessary to satisfy agency needs, negotiate for special license rights in accordance with 227.7103–5(d) and 227.7203–5(d).

[71 FR 18669, Apr. 12, 2006]

Subpart 212.71—Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items

SOURCE: 76 FR 38049, June 29, 2011, unless otherwise noted.

212.7100 Scope.

212.7101 Definitions.

Military-purpose nondevelopmental item, nondevelopmental item, and non-traditional defense contractor, as used in this subpart, are defined in the provision at 252.212-7002.

212.7102 Pilot program.

212.7102-1 Contracts under the program.

The contracting officer may enter into contracts with nontraditional defense contractors for the acquisition of military-purpose nondevelopmental items. See PGI 212.7102 for file documentation requirements. Each contract entered into under the pilot program shall—

(a) Be awarded using competitive procedures;

(b) Be a firm-fixed-price contract, or a fixed-price contract with an economic price adjustment clause;

(c) Be in an amount not in excess of $50 million;

(d) Provide—

(1) For the delivery of an initial lot of production quantities of completed items not later than nine months after the date of the award of such contract; and

(2) That failure to make delivery as provided for under paragraph (d)(1) may result in termination for cause; and

(e) Be—

(1) Exempt from the requirement to submit certified cost or pricing data;

(2) Exempt from the cost accounting standards under section 26 of the Office of Procurement Policy Act (41 U.S.C. 1502); and

(3) Subject to the requirement to provide data other than certified cost or pricing data for the purpose of price reasonableness determinations.

212.7102-2 Reporting requirements.

Departments and agencies shall prepare a consolidated annual report to provide information about contracts awarded under this pilot authority. The report shall be submitted to the Office of the Deputy Director, Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), by October 31 each year in accordance with the procedures at PGI 212.7102. See PGI 212.7102 for annual reporting format.

212.7102-3 Sunset of the pilot authority.

(a) The authority to carry out the pilot program described in this subpart expires on January 6, 2016.

(b) The expiration under paragraph (a) of this section of the authority to carry out the pilot program will not affect the validity of any contract awarded under the pilot program before the expiration of the pilot program under that paragraph.

212.7103 Solicitation provision.

Use the provision at 252.212-7002, Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items, in all solicitations that meet the applicability criteria of 212.7102-1 for this pilot program.
77

SUBCHAPTER C—CONTRACTING METHODS AND CONTRACT TYPES

PART 213—SIMPLIFIED ACQUISITION PROCEDURES

Subpart 213.1—Procedures

Sec.
213.101 General.
213.106–1–70 Soliciting competition—tiered evaluation of offers.

Subpart 213.2—Actions at or Below the Micro-Purchase Threshold

213.270 Use of the Governmentwide commercial purchase card.

Subpart 213.3—Simplified Acquisition Methods

213.301 Governmentwide commercial purchase card.
213.302 Purchase orders.
213.302–3 Obtaining contractor acceptance and modifying purchase orders.
213.302–5 Clauses.
213.303 Blanket purchase agreements (BPAs).
213.303–5 Purchases under BPAs.
213.305 Imprest funds and third party drafts.
213.306 SF 44, Purchase Order-Invoice-Voucher.
213.307 Forms.

Subpart 213.4—Fast Payment Procedure

213.402 Conditions for use.

Subpart 213.70—Simplified Acquisition Procedures Under the 8(a) Program

213.7001 Procedures.
213.7002 Purchase orders.


SOURCE: 64 FR 2596, Jan. 15, 1999, unless otherwise noted.

Subpart 213.1—Procedures

213.101 General.

Structure awards valued above the micro-purchase threshold (e.g., contract line items, delivery schedule, and invoice instructions) in a manner that will minimize the generation of invoices valued at or below the micro-purchase threshold.

[65 FR 46625, July 31, 2000]

213.106–1–70 Soliciting competition—tiered evaluation of offers.

See limitations on the use of tiered evaluation of offers at 215.203–70.

[72 FR 42314, Aug. 2, 2007]

Subpart 213.2—Actions at or Below the Micro-Purchase Threshold

213.270 Use of the Governmentwide commercial purchase card.

Use the Governmentwide commercial purchase card as the method of purchase and/or method of payment for purchases valued at or below the micro-purchase threshold. This policy applies to all types of contract actions authorized by the FAR unless—

(a) The Deputy Secretary of Defense has approved an exception for an electronic commerce/electronic data interchange system or operational requirement that results in a more cost-effective payment process;

(b)(1) A general or flag officer or a member of the Senior Executive Service (SES) makes a written determination that—

(i) The source or sources available for the supply or service do not accept the purchase card; and

(ii) The contracting office is seeking a source that accepts the purchase card.

(2) To prevent mission delays, if an activity does not have a resident general or flag officer of SES member, delegation of this authority to the level of the senior local commander or director is permitted; or

(c) The purchase or payment meets one or more of the following criteria:

(1) The place of performance is entirely outside the United States and its outlying areas.

(2) The purchase is a Standard Form 44 purchase for aviation fuel or oil.
(3) The purchase is an overseas transaction by a contracting officer in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(b).

(4) The purchase is a transaction in support of intelligence or other specialized activities addressed by Part 2.7 of Executive Order 12333.

(5) The purchase is for training exercises in preparation for overseas contingency, humanitarian, or peacekeeping operations.

(6) The payment is made with an accommodation check.

(7) The payment is for a transportation bill.

(8) The purchase is under a Federal Supply Schedule contract that does not permit use of the Governmentwide commercial purchase card.

(9) The purchase is for medical services and—
   (i) It involves a controlled substance or narcotic;
   (ii) It requires the submission of a Health Care Summary Record to document the nature of the care purchased;
   (iii) The ultimate price of the medical care is subject to an independent determination that changes the price paid based on application of a mandatory CHAMPUS Maximum Allowable Charge determination that reduces the Government liability below billed charges;
   (iv) The Government already has entered into a contract to pay for the services without the use of a purchase card;
   (v) The purchaser is a beneficiary seeking medical care; or
   (vi) The senior local commander or director of a hospital or laboratory determines that use of the purchase card is not appropriate or cost-effective. The Medical Prime Vendor Program and the DoD Medical Electronic Catalog Program are two examples where use of the purchase card may not be cost-effective.

[65 FR 46626, July 31, 2000, as amended at 70 FR 35644, June 21, 2005]

Subpart 213.3—Simplified Acquisition Methods

213.301 Governmentwide commercial purchase card.

(1) “United States,” as used in this section, means the 50 States and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, Wake Island, Johnston Island, Canton Island, the outer Continental Shelf lands, and any other place subject to the jurisdiction of the United States (but not including leased bases).

(2) An individual appointed in accordance with 201.603-3(b) also may use the Governmentwide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does not exceed $25,000, if—
   (i) The purchase—
      (A) Is made outside the United States for use outside the United States; and
      (B) Is for a commercial item; but
      (C) Is not for work to be performed by employees recruited within the United States;
      (D) Is not for supplies or services originating from, or transported from or through, sources identified in FAR Subpart 25.7;
      (E) Is not for ball or roller bearings as end items;
      (F) Does not require access to classified or Privacy Act information; and
      (G) Does not require transportation of supplies by sea; and
   (ii) The individual making the purchase—
      (A) Is authorized and trained in accordance with agency procedures;
      (B) Complies with the requirements of FAR 8.002 in making the purchase; and
      (C) Seeks maximum practicable competition for the purchase in accordance with FAR 13.104(b).

(3) A contracting officer supporting a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(b) also may use the Governmentwide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does not exceed the simplified acquisition threshold, if—
Defense Acquisition Regulations System, DOD 213.306

(i) The supplies or services being purchased are immediately available;
(ii) One delivery and one payment will be made; and
(iii) The requirements of paragraphs (2)(i) and (ii) of this section are met.


213.302 Purchase orders.

213.302–3 Obtaining contractor acceptance and modifying purchase orders.

(1) Require written acceptance of purchase orders for classified acquisitions.

(2) See PGI 213.302–3 for guidance on the use of unilateral modifications.

(3) A supplemental agreement converts a unilateral purchase order to a bilateral agreement. If not previously included in the purchase order, incorporate the clause at 252.243–7001, Pricing of Contract Modifications, in the Standard Form 30, and obtain the contractor’s acceptance by signature on the Standard Form 30.


213.305 Imprest funds and third party drafts.

213.305–3 Conditions for use.

(d)(i) On a very limited basis, installation commanders and commanders of other activities with contracting authority may be granted authority to establish imprest funds and third party draft (accommodation check) accounts. Use of imprest funds and third party drafts must comply with—

(A) DoD 7000.14–R, DoD Financial Management Regulation, Volume 5, Disbursing Policy and Procedures; and


(ii) Use of imprest funds requires approval by the Director for Financial Commerce, Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), except as provided in paragraph (d)(iii) of this subsection.

(iii) Imprest funds are authorized for use without further approval for—

(A) Overseas transactions at or below the micro-purchase threshold in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(8); and

(B) Classified transactions.

[71 FR 3413, Jan. 23, 2006]

213.306 SF 44, Purchase Order-Invoice-Voucher.

(a)(1) The micro-purchase limitation applies to all purchases, except that purchases not exceeding the simplified
acquisition threshold may be made for—

(A) Fuel and oil. U.S. Government fuel cards may be used in lieu of an SF 44 for fuel, oil, and authorized refueling-related items (see PGI 213.306 for procedures on use of fuel cards);

(B) Overseas transactions by contracting officers in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(8); and

(C) Transactions in support of intelligence and other specialized activities addressed by Part 2.7 of Executive Order 12333.


213.307 Forms.

See PGI 213.307 for procedures on use of forms for purchases made using simplified acquisition procedures.

[71 FR 3413, Jan. 23, 2006]

Subpart 213.4—Fast Payment Procedure

213.402 Conditions for use.

(a) Individual orders may exceed the simplified acquisition threshold for—

(i) Brand-name commissary resale subsistence; and

(ii) Medical supplies for direct shipment overseas.

Subpart 213.70—Simplified Acquisition Procedures Under the 8(a) Program

213.7001 Procedures.

For acquisitions that are otherwise appropriate to be conducted using procedures set forth in this part, and also eligible for the 8(a) Program, contracting officers may use—

(a)(1) For sole source purchase orders not exceeding the simplified acquisition threshold, the procedures in 219.804–2(2); or

(b) The procedures for award to the Small Business Administration in FAR Subpart 19.8.


213.7002 Purchase orders.

The contracting officer need not obtain a contractor’s written acceptance of a purchase order or modification of a purchase order for an acquisition under the 8(a) Program pursuant to 219.804–2(2).

[71 FR 3413, Jan. 23, 2006]

PART 214—SEALED BIDDING

Subpart 214.2—Solicitation of Bids


214.202–5 Descriptive literature.

Subpart 214.4—Opening of Bids and Award of Contract

214.404 Rejection of bids.

214.404–1 Cancellation of invitations after opening.

214.407 Mistakes in bids.

214.407–3 Other mistakes disclosed before award.


SOURCE: 56 FR 36326, July 31, 1991, unless otherwise noted.

Subpart 214.2—Solicitation of Bids


214.202–5 Descriptive literature.

(c) Requirements of invitation for bids.

When brand name or equal purchase descriptions are used, use of the provision at FAR 52.211–6, Brand Name or Equal, satisfies this requirement.

Subpart 214.4—Opening of Bids and Award of Contract

214.404 Rejection of bids.

214.404–1 Cancellation of invitations after opening.

The contracting officer shall make the written determinations required by FAR 14.404–1 (c) and (e).

214.407 Mistakes in bids.

214.407–3 Other mistakes disclosed before award.

(e) Authority for making a determination under FAR 14.407–3(a), (b) and (d) is delegated for the defense agencies, without power of redelegation, as follows:

(i) Defense Advanced Research Projects Agency: General Counsel, DARPA.

(ii) Defense Information Systems Agency: General Counsel, DISA.

(iii) Defense Intelligence Agency: Principal Assistant for Acquisition.

(iv) Defense Logistics Agency:

(A) General Counsel, DLA; and

(B) Associate General Counsel, DLA.

(v) National Geospatial–Intelligence Agency: General Counsel, NGA.

(vi) Defense Threat Reduction Agency: General Counsel, DTRA.

(vii) National Security Agency: Director of Procurement, NSA.

(viii) Missile Defense Agency: General Counsel, MDA.

(ix) Defense Contract Management Agency: General Counsel, DCMA.


PART 215—CONTRACTING BY NEGOTIATION

Subpart 215.2—Solicitation and Receipt of Proposals and Information.

Sec.

215.203–70 Requests for proposals—tiered evaluation of offers.

215.209 Solicitation provisions and contract clauses.

215.270 Peer Reviews.

Subpart 215.3—Source Selection

215.300 Scope of subpart.

215.303 Responsibilities.

215.304 Evaluation factors and significant subfactors.

215.305 Proposal evaluation.

215.306 Exchanges with offerors after receipt of proposals.

215.370 Evaluation factor for employing or subcontracting with members of the Selected Reserve.

215.370–1 Definition.


215.370–3 Solicitation provision and contract clause.

Subpart 215.4—Contract Pricing

215.402 Pricing policy.

215.403 Obtaining cost or pricing data.


215.403–3 Requiring information other than cost or pricing data.

215.404 Proposal analysis.

215.404–1 Proposal analysis techniques.

215.404–2 Information to support proposal analysis.

215.404–3 Subcontract pricing considerations.

215.404–4 Profit.

215.404–70 DD Form 1547, Record of Weighted Guidelines Method Application.


215.404–72 Modified weighted guidelines method for nonprofit organizations other than FFRDCs.

215.404–73 Alternate structure approaches.

215.404–74 Fee requirements for cost-plus-award-fee contracts.

215.404–75 Fee requirements for FFRDCs.

215.404–76 Reporting profit and fee statistics.

215.406–1 Prenegotiation objectives.

215.406–3 Documenting the negotiation.

215.407–2 Make-or-buy programs.


215.407–4 Should-cost review.


215.407–5–70 Disclosure, maintenance, and review requirements.

215.408 Solicitation provisions and contract clauses.

215.470 Estimated data prices.


SOURCE: 63 FR 55040, Oct. 14, 1998, unless otherwise noted.

81
215.203–70  Requests for proposals—tiered evaluation of offers.

(a) The tiered or cascading order of precedence used for tiered evaluation of offers shall be consistent with FAR part 19.

(b) Consideration shall be given to the tiers of small businesses (e.g., 8(a), HUBZone small business, service-disabled veteran-owned small business, small business) before evaluating offers from other than small business concerns.

(c) The contracting officer is prohibited from issuing a solicitation with a tiered evaluation of offers unless—

(1) The contracting officer conducts market research, in accordance with FAR Part 10 and Part 210, to determine—

(i) Whether the criteria in FAR part 19 are met for setting aside the acquisition for small business; or

(ii) For a task or delivery order, whether there are a sufficient number of qualified small business concerns available to justify limiting competition under the terms of the contract; and

(2) If the contracting officer cannot determine whether the criteria in paragraph (c)(1) of this section are met, the contracting officer includes a written explanation in the contract file as to why such a determination could not be made (Section 816 of Public Law 109–163).

[71 FR 53043, Sept. 8, 2006, as amended at 72 FR 42314, Aug. 2, 2007]

215.209 Solicitation provisions and contract clauses.

(a) For source selections when the procurement is $100 million or more, contracting officers should use the provision at FAR 52.215–1, Instructions to Offerors—Competitive Acquisition, with its Alternate I.

[76 FR 58152, Sept. 20, 2011]
submitted pursuant to the clause at FAR 52.219-9 and should be structured to allow for consideration of offers from small businesses.

(C) When an evaluation assesses the extent that small businesses and historically black colleges or universities and minority institutions are specifically identified in proposals, the small businesses and historically black colleges or universities and minority institutions considered in the evaluation shall be listed in any subcontracting plan submitted pursuant to FAR 52.219-9 to facilitate compliance with 252.219-7003(g).

(ii) In accordance with 10 U.S.C. 2436, consider the purchase of capital assets (including machine tools) manufactured in the United States, in source selections for all major defense acquisition programs as defined in 10 U.S.C. 2430.

(iii) See 247.573-2(c) for additional evaluation factors required in solicitations for the direct purchase of ocean transportation services.

(iv) In accordance with section 812 of the National Defense Authorization Act for Fiscal Year 2011, consider the manufacturing readiness and manufacturing-readiness processes of potential contractors and subcontractors as a part of the source selection process for major defense acquisition programs.


215.306 Exchanges with offerors after receipt of proposals.

(c) Competitive range.

(1) For acquisitions with an estimated value of $100 million or more, contracting officers should conduct discussions. Follow the procedures at FAR 15.306(c) and (d).

[76 FR 58132, Sept. 20, 2011]

215.370 Evaluation factor for employing or subcontracting with members of the Selected Reserve.

215.370-1 Definition.

Selected Reserve, as used in this section, is defined in the provision at 252.215-7005, Evaluation Factor for Employing or Subcontracting with Members of the Selected Reserve.

[73 FR 62211, Oct. 20, 2008]


In accordance with section 819 of the National Defense Authorization Act for Fiscal Year 2006 (Pub. L. 109–163), the contracting officer may use an evaluation factor that considers whether an offeror intends to perform the contract using employees or individual subcontractors who are members of the Selected Reserve. See PGI 215.370-2 for guidance on use of this evaluation factor.

[73 FR 62211, Oct. 20, 2008]

215.370-3 Solicitation provision and contract clause.

(a) Use the provision at 252.215–7005, Evaluation Factor for Employing or Subcontracting with Members of the Selected Reserve, in solicitations that include an evaluation factor considering whether an offeror intends to perform the contract using employees or individual subcontractors who are members of the Selected Reserve.

(b) Use the clause at 252.215–7006, Use of Employees or Individual Subcontractors Who are Members of the Selected Reserve, in solicitations that include the provision at 252.215–7005. Include the clause in the resultant contract only if the contractor stated in its proposal that it intends to perform the contract using employees or individual subcontractors who are members of the Selected Reserve, and that

[76 FR 58132, Sept. 20, 2011]
215.402 Pricing policy.

Follow the procedures at PGI 215.402 when conducting cost or price analysis, particularly with regard to acquisitions for sole source commercial items.

[72 FR 30278, May 31, 2007]

215.403 Obtaining cost or price data.


(b) Exceptions to cost or pricing data requirements. Follow the procedures at PGI 215.403–1(b).

(c) Standards for exceptions from cost or pricing data requirements—(1) Adequate price competition. For acquisitions under dual or multiple source programs:

(A) The determination of adequate price competition must be made on a case-by-case basis. Even when adequate price competition exists, in certain cases it may be appropriate to obtain additional information to assist in price analysis.

(B) Adequate price competition normally exists when—

(i) Prices are solicited across a full range of step quantities, normally including a 0–100 percent split, from at least two offerors that are individually capable of producing the full quantity; and

(ii) The reasonableness of all prices awarded is clearly established on the basis of price analysis (see FAR 15.404–1(b)).

(3) Commercial items. (A) Follow the procedures at PGI 215.403–1(c)(3)(A) for pricing commercial items.

(B) By November 30th of each year, departments and agencies shall provide a report to the Director, Defense Procurement and Acquisition Policy (DPAP), ATTN: DPAP/CPF, of all waivers granted under FAR 15.403–1(b)(4), during the previous fiscal year, for any contract, subcontract, or modification expected to have a value of $15,000,000 or more. See PGI 215.403–1(c)(4)(B) for the format and guidance for the report. The Director, DPAP, will submit a consolidated report to the congressional defense committees.

(C) DoD has waived the requirement for submission of cost or pricing data for the Canadian Commercial Corporation and its subcontractors.

(D) DoD has waived cost or pricing data requirements for nonprofit organizations (including education institutions) on cost-reimbursement-no-fee contracts. The contracting officer shall require—

(I) Submission of information other than cost or pricing data to the extent necessary to determine reasonableness and cost realism; and

(2) Cost or pricing data from subcontractors that are not nonprofit organizations when the subcontractor's...
215.403–3 **Requiring information other than cost or pricing data.**

Follow the procedures at PGI 215.403–3.

[72 FR 30278, May 31, 2007]

**215.404 Proposal analysis.**

215.404–1 **Proposal analysis techniques.**

(1) Follow the procedures at PGI 215.404–1 for proposal analysis.

(2) For spare parts or support equipment, perform an analysis of—

(i) Those line items where the proposed price exceeds by 25 percent or more the lowest price the Government has paid within the most recent 12-month period based on reasonably available information;

(ii) Those line items where a comparison of the item description and the proposal price indicates a potential for overpricing;

(iii) Significant high-dollar-value items. If there are no obvious high-dollar-value items, include an analysis of a random sample of items; and

(iv) A random sample of the remaining low-dollar value items. Sample size may be determined by subjective judgment, e.g., experience with the offeror and the reliability of its estimating and accounting systems.


215.404–2 **Information to support proposal analysis.**

See PGI 215.404–2 for guidance on obtaining field pricing or audit assistance.

[71 FR 69494, Dec. 1, 2006]

215.404–3 **Subcontract pricing considerations.**

Follow the procedures at PGI 215.404–3 when reviewing a subcontractor’s proposal.

[71 FR 69494, Dec. 1, 2006]

**215.404–4 Profit.**

(b) **Policy.**

(1) Contracting officers shall use a structured approach for developing a prenegotiation profit or fee objective on any negotiated contract action when cost or pricing data is obtained, except for cost-plus-award-fee contracts (see 215.404–74, 216.405–2, and FAR 16.405–2) or contracts with Federally Funded Research and Development Centers (FFRDCs) (see 215.404–75). There are three structured approaches—

(A) The weighted guidelines method;

(B) The modified weighted guidelines method; and

(C) An alternate structured approach.

(c) **Contracting officer responsibilities.**

(1) Also, do not perform a profit analysis when assessing cost realism in competitive acquisitions.

(2) When using a structured approach, the contracting officer—

(A) Shall use the weighted guidelines method (see 215.404–71), except as provided in paragraphs (c)(2)(B) and (c)(2)(C) of this subsection.

(B) Shall use the modified weighted guidelines method (see 215.404–72) on contract actions with nonprofit organizations other than FFRDCs.

(C) May use an alternate structured approach (see 215.404–73) when—

(i) The contract action is—

(I) At or below the cost or pricing data threshold (see FAR 15.403–4(a)(1));

(ii) For architect-engineer or construction work;

(iii) Primarily for delivery of material from subcontractors; or

(iv) A termination settlement; or

(2) The weighted guidelines method does not produce a reasonable overall profit objective and the head of the contracting activity approves use of the alternate approach in writing.

(D) Shall use the weighted guidelines method to establish a basic profit rate under a formula-type pricing agreement, and may then use the basic rate on all actions under the agreement, provided that conditions affecting profit do not change.

(E) Shall document the profit analysis in the contract file.
(5) Although specific agreement on the applied weights or values for individual profit factors shall not be attempted, the contracting officer may encourage the contractor to—

(A) Present the details of its proposed profit amounts in the weighted guidelines format or similar structured approached; and

(B) Use the weighted guidelines method in developing profit objectives for negotiated subcontracts.

(6) The contracting officer must also verify that relevant variables have not materially changed (e.g., performance risk, interest rates, progress payment rates, distribution of facilities capital).

(d) Profit-analysis factors—(1) Common factors. The common factors are embodied in the DoD structured approaches and need not be further considered by the contracting officer.

(67 FR 20689, Apr. 26, 2002)

215.404–70 DD Form 1547, Record of Weighted Guidelines Method Application.

Follow the procedures at PGI 215.404–70 for use of DD Form 1547 whenever a structured approach to profit analysis is required.

[71 FR 69494, Dec. 1, 2006]


(a) The weighted guidelines method focuses on four profit factors—

(1) Performance risk;

(2) Contract type risk;

(3) Facilities capital employed; and

(4) Cost efficiency.

(b) The contracting officer assigns values to each profit factor; the value multiplied by the base results in the profit objective for that factor. Except for the cost efficiency special factor, each profit factor has a normal value and a designated range of values. The normal value is representative of average conditions on the prospective contract when compared to all goods and services acquired by DoD. The designated range provides values based on above normal or below normal conditions. In the price negotiation documentation, the contracting officer need not explain assignment of the normal value, but should address conditions that justify assignment of other than the normal value. The cost efficiency special factor has no normal value. The contracting officer shall exercise sound business judgment in selecting a value when this special factor is used (see 215.404–71–5).

[67 FR 20689, Apr. 26, 2002]


(a) Description. This profit factor addresses the contractor’s degree of risk in fulfilling the contract requirements. The factor consists of two parts:

(1) Technical—the technical uncertainties of performance.

(2) Management/cost control—the degree of management effort necessary—

(i) To ensure that contract requirements are met; and

(ii) To reduce and control costs.

(b) Determination. The following extract from the DD Form 1547 is annotated to describe the process.

(1) Assign a weight (percentage) to each element according to its input to the total performance risk. The total of the two weights equals 100 percent.

(2) Select a value for each element from the list in paragraph (c) of this subsection using the evaluation criteria in paragraphs (d) and (e) of this subsection.

(3) Compute the composite as shown in the following example:

<table>
<thead>
<tr>
<th></th>
<th>Assigned weighing (percent)</th>
<th>Assigned value (percent)</th>
<th>Weighted value (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical</td>
<td>60</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Management/Cost Control</td>
<td>40</td>
<td>4.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Composite Value</td>
<td>100</td>
<td></td>
<td>4.6</td>
</tr>
</tbody>
</table>

(4) Insert the amount from Block 20 of the DD Form 1547. Block 20 is total contract costs, excluding facilities capital cost of money.

(5) Multiply (3) by (4).

(c) Values: Normal and designated ranges.

<table>
<thead>
<tr>
<th>Normal value (percent)</th>
<th>Designated range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>5</td>
</tr>
<tr>
<td>Technology Incentive</td>
<td>9</td>
</tr>
</tbody>
</table>

(1) Standard. The standard designated range should apply to most contracts.

(2) Technology incentive. For the technical factor only, contracting officers may use the technology incentive range for acquisitions that include development, production, or application of innovative new technologies. The technology incentive range does not apply to efforts restricted to studies, analyses, or demonstrations that have a technical report as their primary deliverable.

(d) Evaluation criteria for technical. (1) Review the contract requirements and focus on the critical performance elements in the statement of work or specifications. Factors to consider include—

(i) Technology being applied or developed by the contractor;

(ii) Technical complexity;

(iii) Program maturity;

(iv) Performance specifications and tolerances;

(v) Delivery schedule; and

(vi) Extent of a warranty or guarantee.

(2) Above normal conditions. (i) The contracting officer may assign a higher than normal value in those cases where there is a substantial technical risk. Indicators are—

(A) Items are being manufactured using specifications with stringent tolerance limits;

(B) The efforts require highly skilled personnel or require the use of state-of-the-art machinery;

(C) The services and analytical efforts are extremely important to the Government and must be performed to exacting standards;

(D) The contractor's independent development and investment has reduced the Government's risk or cost;

(E) The contractor has accepted an accelerated delivery schedule to meet DoD requirements; or

(F) The contractor has assumed additional risk through warranty provisions.

(ii) Extremely complex, vital efforts to overcome difficult technical obstacles that require personnel with exceptional abilities, experience, and professional credentials may justify a value significantly above normal.

(iii) The following may justify a maximum value—

(A) Development or initial production of a new item, particularly if performance or quality specifications are tight; or

(B) A high degree of development or production concurrency.

(3) Below normal conditions. (i) The contracting officer may assign a lower than normal value in those cases where the technical risk is low. Indicators are—

(A) Requirements are relatively simple;

(B) Technology is not complex;

(C) Efforts do not require highly skilled personnel;

(D) Efforts are routine;

(E) Programs are mature; or

(F) Acquisition is a follow-on effort or a repetitive type acquisition.

(ii) The contracting officer may assign a value significantly below normal for—

(A) Routine services;

(B) Production of simple items;

(C) Rote entry or routine integration of Government-furnished information; or
(D) Simple operations with Government-furnished property.

(4) Technology incentive range. (i) The contracting officer may assign values within the technology incentive range when contract performance includes the introduction of new, significant technological innovation. Use the technology incentive range only for the most innovative contract efforts. Innovation may be in the form of—

(A) Development or application of new technology that fundamentally changes the characteristics of an existing product or system and that results in increased technical performance, improved reliability, or reduced costs; or

(B) New products or systems that contain significant technological advances over the products or systems they are replacing.

(ii) When selecting a value within the technology incentive range, the contracting officer should consider the relative value of the proposed innovation to the acquisition as a whole. When the innovation represents a minor benefit, the contracting officer should consider using values less than the norm. For innovative efforts that will have a major positive impact on the product or program, the contracting officer may use values above the norm.

(e) Evaluation criteria for management/cost control. (1) The contracting officer should evaluate—

(i) The contractor's management and internal control systems using contracting office information and reviews made by field contract administration offices or other DoD field offices;

(ii) The management involvement expected on the prospective contract action;

(iii) The degree of cost mix as an indication of the types of resources applied and value added by the contractor;

(iv) The contractor's support of Federal socioeconomic programs;

(v) The expected reliability of the contractor's cost estimates (including the contractor's cost estimating system);

(vi) Any other factors that affect the contractor's ability to meet the cost targets (e.g., foreign currency exchange rates and inflation rates).

(2) Above normal conditions. (i) The contracting officer may assign a higher than normal value when there is a high degree of management effort. Indicators of this are—

(A) The contractor's value added is both considerable and reasonably difficult;

(B) The effort involves a high degree of integration or coordination;

(C) The contractor has a good record of past performance;

(D) The contractor has a substantial record of active participation in Federal socioeconomic programs;

(E) The contractor provides fully documented and reliable cost estimates;

(F) The contractor makes appropriate make-or-buy decisions; or

(G) The contractor has a proven record of cost tracking and control.

(ii) The contracting officer may justify a maximum value when the effort—

(A) Requires large scale integration of the most complex nature;

(B) Involves major international activities with significant management coordination (e.g., offsets with foreign vendors); or

(C) Has critically important milestones.

(3) Below normal conditions. (i) The contracting officer may assign a lower than normal value when the management effort is minimal. Indicators of this are—

(A) The program is mature and many end item deliveries have been made;

(B) The contractor adds minimal value to an item;

(C) The efforts are routine and require minimal supervision;

(D) The contractor provides poor quality, untimely proposals;

(E) The contractor fails to provide an adequate analysis of subcontractor costs;

(F) The contractor does not cooperate in the evaluation and negotiation of the proposal;

(G) The contractor's cost estimating system is marginal;

(H) The contractor has made minimal effort to initiate cost reduction programs;
(I) The contractor’s cost proposal is inadequate;
(J) The contractor has a record of cost overruns or another indication of unreliable cost estimates and lack of cost control; or
(K) The contractor has a poor record of past performance.

(ii) The following may justify a value significantly below normal—

(A) Reviews performed by the field contract administration offices disclose unsatisfactory management and internal control systems (e.g., quality assurance, property control, safety, security); or

(B) The effort requires an unusually low degree of management involvement.


(a) Description. The contract type risk factor focuses on the degree of cost risk accepted by the contractor under varying contract types. The working capital adjustment is an adjustment added to the profit objective for contract type risk. It only applies to fixed-price contracts that provide for progress payments. Though it uses a formula approach, it is not intended to be an exact calculation of the cost of working capital. Its purpose is to give general recognition to the contractor’s cost of working capital under varying contract circumstances, financing policies, and the economic environment.

(b) Determination. The following extract from the DD 1547 is annotated to explain the process.

<table>
<thead>
<tr>
<th>Item</th>
<th>Contractor risk factors</th>
<th>Assigned value</th>
<th>Base (item 20)</th>
<th>Profit objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.</td>
<td>CONTRACT type risk ......</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>WORKING capital (4) ......</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Select a value from the list of contract types in paragraph (c) of this subsection using the evaluation criteria in paragraph (d) of this subsection.

(2) Insert the amount from Block 20, i.e., the total allowable costs excluding facilities capital cost of money.

(3) Multiply (1) by (2).

(4) Only complete this block when the prospective contract is a fixed-price contract containing provisions for progress payments.

(5) Insert the amount computed per paragraph (e) of this subsection.

(6) Insert the appropriate figure from paragraph (f) of this subsection.

(7) Use the interest rate established by the Secretary of the Treasury (see http://www.treasurydirect.gov/govt/rates/tcir/tcir_opdirsemi.htm). Do not use any other interest rate.

(8) Multiply (5) by (6) by (7). This is the working capital adjustment. It shall not exceed 4 percent of the contract costs in Block 20.

(c) Values: Normal and designated ranges.

<table>
<thead>
<tr>
<th>Contract type</th>
<th>Notes</th>
<th>Normal value (percent)</th>
<th>Designated range (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm-fixed-price, no financing</td>
<td>(1)</td>
<td>5.0</td>
<td>4 to 6.</td>
</tr>
<tr>
<td>Firm-fixed-price, with performance-based payments</td>
<td>(6)</td>
<td>4.0</td>
<td>2.5 to 5.5</td>
</tr>
<tr>
<td>Firm-fixed-price, with progress payments</td>
<td>(2)</td>
<td>3.0</td>
<td>2 to 4.</td>
</tr>
<tr>
<td>Fixed-price incentive, no financing</td>
<td>(1)</td>
<td>3.0</td>
<td>2 to 4.</td>
</tr>
<tr>
<td>Fixed-price incentive, with performance-based payments</td>
<td>(6)</td>
<td>2.0</td>
<td>0.5 to 3.5</td>
</tr>
<tr>
<td>Fixed-price with redetermination provision</td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-price incentive, with progress payments</td>
<td>(2)</td>
<td>1.0</td>
<td>0 to 2.</td>
</tr>
<tr>
<td>Cost-plus-incentive-free</td>
<td>(4)</td>
<td>1.0</td>
<td>0 to 2.</td>
</tr>
<tr>
<td>Cost-plus-fixed-fee</td>
<td>(4)</td>
<td>0.5</td>
<td>0 to 1.</td>
</tr>
<tr>
<td>Time-and-materials (including overhaul contracts priced on time-and-materials basis)</td>
<td>(5)</td>
<td>0.5</td>
<td>0 to 1.</td>
</tr>
<tr>
<td>Labor-hour</td>
<td>(5)</td>
<td>0.5</td>
<td>0 to 1.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract type</th>
<th>Notes</th>
<th>Normal value (percent)</th>
<th>Designated range (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm-fixed-price, level-of-effort</td>
<td>(5)</td>
<td>0.5</td>
<td>0 to 1.</td>
</tr>
</tbody>
</table>

(1) “No financing” means either that the contract does not provide progress payments, or that the contract provides them only on a limited basis, such as financing of first articles. Do not compute a working capital adjustment.

(2) When the contract contains provisions for performance-based payments, compute a working capital adjustment (Block 25).

(3) For the purposes of assigning profit values, treat a fixed-price contract with redetermination provisions as if it were a fixed-price incentive contract with below normal conditions.

(4) Cost-plus contracts shall not receive the working capital adjustment.

(5) These types of contracts are considered cost-plus-fixed-fee contracts for the purposes of assigning profit values. They shall not receive the working capital adjustment in Block 25. However, they may receive higher than normal values within the designated range to the extent that portions of cost are fixed.

(6) When the contract contains provisions for performance-based payments, do not compute a working capital adjustment.

(d) Evaluation criteria—(1) General. The contracting officer should consider elements that affect contract type risk such as—

(i) Length of contract;
(ii) Adequacy of cost data for projections;
(iii) Economic environment;
(iv) Nature and extent of subcontracted activity;
(v) Protection provided to the contractor under contract provisions (e.g., economic price adjustment clauses);
(vi) The ceilings and share lines contained in incentive provisions;
(vii) Risks associated with contracts for foreign military sales (FMS) that are not funded by U.S. appropriations; and
(viii) When the contract contains provisions for performance-based payments—
(A) The frequency of payments;
(B) The total amount of payments compared to the maximum allowable amount specified at FAR 32.1004(b)(2); and
(C) The risk of the payment schedule to the contractor.

(2) Mandatory. The contracting officer shall assess the extent to which costs have been incurred prior to the definitization of the contract action (also see 217.7404–6(a) and 243.204–70–6). The assessment shall include any reduced contractor risk on both the contract before definitization and the remaining portion of the contract. When costs have been incurred prior to definitization, generally regard the contract type risk to be in the low end of the designated range. If a substantial portion of the costs have been incurred prior to definitization, generally regard the contract type risk to be in the low end of the designated range. If a substantial portion of the costs have been incurred prior to definitization, generally regard the contract type risk to be in the low end of the designated range. If a substantial portion of the costs have been incurred prior to definitization.

(3) Above normal conditions. The contracting officer may assign a higher than normal value when there is substantial contract type risk. Indicators of this are—

(i) Efforts where there is minimal cost history;
(ii) Long-term contracts without provisions protecting the contractor, particularly when there is considerable economic uncertainty;
(iii) Incentive provisions (e.g., cost and performance incentives) that place a high degree of risk on the contractor;
(iv) FMS sales (other than those under DoD cooperative logistics support arrangements or those made from U.S. Government inventories or stocks) where the contractor can demonstrate that there are substantial risks above those normally present in DoD contracts for similar items; or
(v) An aggressive performance-based payment schedule that increases risk.

(4) Below normal conditions. The contracting officer may assign a lower than normal value when the contract type risk is low. Indicators of this are—
(i) Very mature product line with extensive cost history;
(ii) Relative short-term contracts;
(iii) Contractual provisions that substantially reduce the contractor’s risk;
(iv) Incentive provisions that place a low degree of risk on the contractor;
(v) Performance-based payments totaling the maximum allowable amount(s) specified at FAR 32.1004(b)(2); or
(vi) A performance-based payment schedule that is routine with minimal risk.

(e) Costs financed.
(1) Costs financed equal total costs multiplied by the portion (percent) of costs financed by the contractor.
(2) Total costs equal Block 20 (i.e., all allowable costs excluding facilities capital cost of money), reduced as appropriate when—
(i) The contractor has little cash investment (e.g., subcontractor progress payments liquidated late in period of performance);
(ii) Some costs are covered by special financing provisions, such as advance payments; or
(iii) The contract is multiyear and there are special funding arrangements.
(3) The portion that the contractor finances is generally the portion not covered by progress payments, i.e., 100 percent minus the customary progress payment rate (see FAR 32.501). For example, if a contractor receives progress payments at 80 percent, the portion that the contractor finances is 20 percent. On contracts that provide progress payments to small businesses, use the customary progress payment rate for large businesses.

(f) Contract length factor.
(1) This is the period of time that the contractor has a working capital investment in the contract. It—
(i) Is based on the time necessary for the contractor to complete the substantive portion of the work;
(ii) Is not necessarily the period of time between contract award and final delivery (or final payment), as periods of minimal effort should be excluded;
(iii) Should not include periods of performance contained in option provisions; and
(iv) Should not, for multiyear contracts, include periods of performance beyond that required to complete the initial program year’s requirements.
(2) The contracting officer—
(i) Should use the following table to select the contract length factor;
(ii) Should develop a weighted average contract length when the contract has multiple deliveries; and
(iii) May use sampling techniques provided they produce a representative result.

<table>
<thead>
<tr>
<th>Period to perform substantive portion (in months)</th>
<th>Contract length factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 or less</td>
<td>40</td>
</tr>
<tr>
<td>22 to 27</td>
<td>65</td>
</tr>
<tr>
<td>28 to 33</td>
<td>90</td>
</tr>
<tr>
<td>34 to 39</td>
<td>1.15</td>
</tr>
<tr>
<td>40 to 45</td>
<td>1.40</td>
</tr>
<tr>
<td>46 to 51</td>
<td>1.65</td>
</tr>
<tr>
<td>52 to 57</td>
<td>1.90</td>
</tr>
<tr>
<td>58 to 63</td>
<td>2.15</td>
</tr>
<tr>
<td>64 to 69</td>
<td>2.40</td>
</tr>
<tr>
<td>70 to 75</td>
<td>2.65</td>
</tr>
<tr>
<td>76 or more</td>
<td>2.90</td>
</tr>
</tbody>
</table>

(3) Example: A prospective contract has a performance period of 40 months with end items being delivered in the 34th, 36th, 38th, and 40th months of the contract. The average period is 37 months and the contract length factor is 1.15.


(a) Description. This factor focuses on encouraging and rewarding capital investment in facilities that benefit DoD. It recognizes both the facilities capital that the contractor will employ in contract performance and the contractor’s commitment to improving productivity.

(b) Contract facilities capital estimates. The contracting officer shall estimate the facilities capital cost of money and capital employed using—
(1) An analysis of the appropriate Forms CASB-CMF and cost of money factors (48 CFR 9901.414 and FAR 31.205-10); and
(2) DD Form 1861, Contract Facilities Capital Cost of Money.

(c) Use of DD Form 1861. See PGI 215.404–71–4(c) for obtaining field pricing support for preparing DD Form 1861.

(1) Purpose. The DD Form 1861 provides a means of linking the Form CASB–CMF and DD Form 1547, Record of Weighted Guidelines Application. It—

(i) Enables the contracting officer to differentiate profit objectives for various types of assets (land, buildings, equipment). The procedure is similar to applying overhead rates to appropriate overhead allocation bases to determine contract overhead costs.

(ii) Is designed to record and compute the contract facilities capital cost of money and capital employed which is carried forward to DD Form 1547.

(2) Completion instructions. Complete a DD Form 1861 only after evaluating the contractor’s cost proposal, establishing cost of money factors, and establishing a prenegotiation objective on cost. Complete the form as follows:

(i) List overhead pools and direct-charging service centers (if used) in the same structure as they appear on the contractor’s cost proposal and Form CASB–CMF. The structure and allocation base units-of-measure must be compatible on all three displays.

(ii) Extract appropriate contract overhead allocation base data, by year, from the evaluated cost breakdown or prenegotiation cost objective and list against each overhead pool and direct-charging service center.

(iii) Multiply each allocation base by its corresponding cost of money factor to get the facilities capital cost of money estimated to be incurred each year. The sum of these products represents the estimated contract facilities capital cost of money for the year’s effort.

(iv) Total contract facilities cost of money is the sum of the yearly amounts.

(v) Since the facilities capital cost of money factors reflect the applicable cost of money rate in Column 1 of Form CASB–CMF, divide the contract cost of money by that same rate to determine the contract facilities capital employed.

(d) Preaward facilities capital applications. To establish cost and price objectives, apply the facilities capital cost of money and capital employed as follows:

(1) Cost of Money. (i) Cost Objective.

Use the imputed facilities capital cost of money, with normal, booked costs, to establish a cost objective or the target cost when structuring an incentive type contract. Do not adjust target costs established at the outset even though actual cost of money rates become available during the period of contract performance.

(ii) Profit Objective. When measuring the contractor’s effort for the purpose of establishing a prenegotiation profit objective, restrict the cost base to normal, booked costs. Do not include cost of money as part of the cost base.

(2) Facilities Capital Employed. Assess and weight the profit objective for risk associated with facilities capital employed in accordance with the profit guidelines at 215.404–71–4.

(e) Determination. The following extract from the DD Form 1547 has been annotated to explain the process.

<table>
<thead>
<tr>
<th>Item</th>
<th>Contractor facilities capital employed</th>
<th>Assigned value</th>
<th>Amount employed</th>
<th>Profit objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Land</td>
<td>N/A</td>
<td>(2)</td>
<td>N/A</td>
</tr>
<tr>
<td>27</td>
<td>Buildings</td>
<td>N/A</td>
<td>(2)</td>
<td>N/A</td>
</tr>
<tr>
<td>28</td>
<td>Equipment</td>
<td>N/A</td>
<td>(1)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(1) Select a value from the list in paragraph (f) of this subsection using the evaluation criteria in paragraph (g) of this subsection.

(2) Use the allocated facilities capital attributable to land, buildings, and equipment, as derived in DD Form 1861, Contract Facilities Capital Cost of Money.

(1) In addition to the net book value of facilities capital employed, consider facilities capital that is part of a formal investment plan if the contractor submits reasonable evidence that—
(A) Achievable benefits to DoD will result from the investment; and

(B) The benefits of the investment are included in the forward pricing structure.

(ii) If the value of intracompany transfers has been included in Block 20 at cost (i.e., excluding general and administrative (G&A) expenses and profit), add to the contractor’s allocated facilities capital, the allocated facilities capital attributable to the buildings and equipment of those corporate divisions supplying the intracompany transfers. Do not make this addition if the value of intracompany transfers has been included in Block 20 at price (i.e., including G&A expenses and profit).

(3) Multiply (1) by (2).

(f) Values: Normal and designated ranges. These are the normal values and ranges. They apply to all situations.

<table>
<thead>
<tr>
<th>Asset type</th>
<th>Normal value (percent)</th>
<th>Designated range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>Buildings</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>Equipment</td>
<td>17.5</td>
<td>10 to 25</td>
</tr>
</tbody>
</table>

(g) Evaluation criteria. (1) In evaluating facilities capital employed, the contracting officer—

(i) Should relate the usefulness of the facilities capital to the goods or services being acquired under the prospective contract;

(ii) Should analyze the productivity improvements and other anticipated industrial base enhancing benefits resulting from the facilities capital investment, including—

(A) The economic value of the facilities capital, such as physical age, undepreciated value, idleness, and expected contribution to future defense needs; and

(B) The contractor’s level of investment in defense related facilities as compared with the portion of the contractor’s total business that is derived from DoD; and

(iii) Should consider any contractual provisions that reduce the contractor’s risk of investment recovery, such as termination protection clauses and capital investment indemnification.

(2) Above normal conditions. (i) The contracting officer may assign a higher than normal value if the facilities capital investment has direct, identifiable, and exceptional benefits. Indicators are—

(A) New investments in state-of-the-art technology that reduce acquisition cost or yield other tangible benefits such as improved product quality or accelerated deliveries; or

(B) Investments in new equipment for research and development applications.

(ii) The contracting officer may assign a value significantly above normal when there are direct and measurable benefits in efficiency and significantly reduced acquisition costs on the effort being priced. Maximum values apply only to those cases where the benefits of the facilities capital investment are substantially above normal.

(3) Below normal conditions. (i) The contracting officer may assign a lower than normal value if the facilities capital investment has little benefit to DoD. Indicators are—

(A) Allocations of capital apply predominantly to commercial item lines;

(B) Investments are for such things as furniture and fixtures, home or group level administrative offices, corporate aircraft and hangars, gymnasiums; or

(C) Facilities are old or extensively idle.

(ii) The contracting officer may assign a value significantly below normal when a significant portion of defense manufacturing is done in an environment characterized by outdated, inefficient, and labor-intensive capital equipment.


(a) This special factor provides an incentive for contractors to reduce costs. To the extent that the contractor can demonstrate cost reduction efforts that benefit the pending contract, the contracting officer may increase the prenegotiation profit objective by an amount not to exceed 4 percent of total objective cost (Block 20 of the DD
Form 1547) to recognize these efforts (Block 29).

(b) To determine if using this factor is appropriate, the contracting officer shall consider criteria, such as the following, to evaluate the benefit the contractor’s cost reduction efforts will have on the pending contract:

1. The contractor’s participation in Single Process Initiative improvements;
2. Actual cost reductions achieved on prior contracts;
3. Reduction or elimination of excess or idle facilities;
4. The contractor’s cost reduction initiatives (e.g., competition advocacy programs, technical insertion programs, spare parts pricing reform, value engineering, outsourcing of functions such as information technology). Metrics developed by the contractor such as fully loaded labor hours (i.e., cost per labor hour, including all direct and indirect costs) or other productivity measures may provide the basis for assessing the effectiveness of the contractor’s cost reduction initiatives over time;
5. The contractor’s adoption of process improvements to reduce costs;
6. Subcontractor cost reduction efforts;
7. The contractor’s effective incorporation of commercial items and processes; or
8. The contractor’s investment in new facilities when such investments contribute to better asset utilization or improved productivity.

(c) When selecting the percentage to use for this special factor, the contracting officer has maximum flexibility in determining the best way to evaluate the benefit the contractor’s cost reduction efforts will have on the pending contract. However, the contracting officer shall consider the impact that quantity differences, learning, changes in scope, and economic factors such as inflation and deflation will have on cost reduction.

215.404–72 Modified weighted guidelines method for nonprofit organizations other than FFRDCs.

(a) Definition. As used in this subpart, a nonprofit organization is a business entity—

1. That operates exclusively for charitable, scientific, or educational purposes;
2. Whose earnings do not benefit any private shareholder or individual;
3. Whose activities do not involve influencing legislation or political campaigning for any candidate for public office; and
4. That is exempted from Federal income taxation under section 501 of the Internal Revenue Code.

(b) For nonprofit organizations that are entities that have been identified by the Secretary of Defense or a Secretary of a Department as receiving sustaining support on a cost-plus-fixed-fee basis from a particular DoD department or agency, compute a fee objective for covered actions using the weighted guidelines method in 215.404–71, with the following modifications:

1. Modifications to performance risk (Blocks 21–23 of the DD Form 1547).
   (i) If the contracting officer assigns a value from the standard designated range (see 215.404–71–2(c)), reduce the fee objective by an amount equal to 1 percent of the costs in Block 20 of the DD Form 1547. Show the net (reduced) amount on the DD Form 1547.
   (ii) Do not assign a value from the technology incentive designated range.

2. Modifications to contract type risk (Block 24 of the DD Form 1547). Use a designated range of −1 percent to 0 percent instead of the values in 215.404–71–3. There is no normal value.

(c) For all other nonprofit organizations except FFRDCs, compute a fee objective for covered actions using the weighted guidelines method in 215.404–71, modified as described in paragraph (b)(1) of this subsection.


(a) The contracting officer may use an alternate structured approach under 215.404–4(c).
(b) The contracting officer may design the structure of the alternate, but it shall include—

(1) Consideration of the three basic components of profit—performance risk, contract type risk (including working capital), and facilities capital employed. However, the contracting officer is not required to complete Blocks 21 through 30 of the DD Form 1547.

(2) Offset for facilities capital cost of money.

(i) The contracting officer shall reduce the overall prenegotiation profit objective by the amount of facilities capital cost of money under Cost Accounting Standard (CAS) 414, Cost of Money as an Element of the Cost of Facilities Capital (48 CFR 9904.414). Cost of money under CAS 417, Cost of Money as an Element of the Cost of Capital Assets Under Construction (48 CFR 9904.417), should not be used to reduce the overall prenegotiation profit objective. The profit amount in the negotiation summary of the DD Form 1547 must be net of the offset.

(ii) This adjustment is needed for the following reason: The values of the profit factors used in the weighted guidelines method were adjusted to recognize the shift in facilities capital cost of money from an element of profit to an element of contract cost (see FAR 31.205–10) and reductions were made directly to the profit factors for performance risk. In order to ensure that this policy is applied to all DoD contracts that allow facilities capital cost of money, similar adjustments shall be made to contracts that use alternate structured approaches.


215.404–75 Fee requirements for FFRDCs.

For nonprofit organizations that are FFRDCs, the contracting officer—

(a) Should consider whether any fee is appropriate. Considerations shall include the FFRDC’s—

(1) Proportion of retained earnings (as established under generally accepted accounting methods) that relates to DoD contracted effort;

(2) Facilities capital acquisition plans;

(3) Working capital funding as assessed on operating cycle cash needs; and

(4) Provision for funding unreimbursed costs deemed ordinary and necessary to the FFRDC.

(b) Shall, when a fee is considered appropriate, establish the fee objective in accordance with FFRDC fee policies in the DoD FFRDC Management Plan.

(c) Shall not use the weighted guidelines method or an alternate structured approach.

[63 FR 63800, Nov. 17, 1998]

215.404–76 Reporting profit and fee statistics.

Follow the procedures at PGI 215.404–76 for reporting profit and fee statistics.

[71 FR 69494, Dec. 1, 2006]

215.406–1 Prenegotiation objectives.

Follow the procedures at PGI 215.406–1 for establishing prenegotiation objectives.

[71 FR 69494, Dec. 1, 2006]

215.406–2 Documenting the negotiation.

Follow the procedures at PGI 215.406–3 for documenting the negotiation.

[71 FR 69494, Dec. 1, 2006]
215.407–2 Make-or-buy programs.

(e) Program requirements—(1) Items and work included. The minimum dollar amount is $1.5 million.


(b)(i) Use forward pricing rate agreement (FPRA) rates when such rates are available, unless waived on a case-by-case basis by the head of the contracting activity.

(ii) Advise the ACO of each case waived.

(iii) Contact the ACO for questions on FPRA or recommended rates.

215.407–4 Should-cost review.

See PGI 215.407–4 for guidance on determining whether to perform a program or overhead should-cost review.

[71 FR 69495, Dec. 1, 2006]


215.407–5–70 Disclosure, maintenance, and review requirements.


(2) Contractor means a business unit as defined in FAR 2.101.

(3) Estimating system is as defined in the clause at 252.215–7002, Cost Estimating System Requirements.

(4) Significant deficiency is defined in the clause at 252.215–7002, Cost Estimating System Requirements.

(b) Applicability. (1) DoD policy is that all contractors have acceptable estimating systems that consistently produce well-supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices.

(2) A large business contractor is subject to estimating system disclosure, maintenance, and review requirements if—

(i) In its preceding fiscal year, the contractor received DoD prime contracts or subcontracts totaling $10 million or more (but less than $50 million) for which cost or pricing data were required and the contracting officer, with concurrence or at the request of the ACO, determines it to be in the best interest of the Government (e.g., significant estimating problems are believed to exist or the contractor’s sales are predominantly Government).

(ii) Not apply the disclosure, maintenance, and review requirements to other than large business contractors.

(c) Policy. (1) The contracting officer shall—

(i) Through use of the clause at 252.215–7002, Cost Estimating System Requirements, apply the disclosure, maintenance, and review requirements to large business contractors meeting the criteria in paragraph (b)(2)(i) of this section; and

(ii) Consider whether to apply the disclosure, maintenance, and review requirements to large business contractors under paragraph (b)(2)(ii) of this section; and

(iii) Not apply the disclosure, maintenance, and review requirements to other than large business contractors.

(2) The cognizant contracting officer, in consultation with the auditor, for contractors subject to paragraph (b)(2) of this section, shall—

(i) Determine the acceptability of the disclosure and approve or disapprove the system: and

(ii) Pursue correction of any deficiencies.

(3) The auditor conducts estimating system reviews.

(4) An acceptable system shall provide for the use of appropriate source data, utilize sound estimating techniques and good judgment, maintain a consistent approach, and adhere to established policies and procedures.

(5) In evaluating the acceptability of a contractor’s estimating system, the contracting officer, in consultation with the auditor, shall determine whether the contractor’s estimating system complies with the system criteria for an acceptable estimating system as prescribed in the clause at 252.215–7002, Cost Estimating System Requirements.

(d) Characteristics of an acceptable estimating system—(1) General. An acceptable system should provide for the use of appropriate source data, utilize sound estimating techniques and good
judgment, maintain a consistent approach, and adhere to established policies and procedures.

(2) Evaluation. In evaluating the acceptability of a contractor’s estimating system, the ACO should consider whether the contractor’s estimating system, for example—

(i) Establishes clear responsibility for preparation, review, and approval of cost estimates;

(ii) Provides a written description of the organization and duties of the personnel responsible for preparing, reviewing, and approving cost estimates;

(iii) Assures that relevant personnel have sufficient training, experience, and guidance to perform estimating tasks in accordance with the contractor’s established procedures;

(iv) Identifies the sources of data and the estimating methods and rationale used in developing cost estimates;

(v) Provides for appropriate supervision throughout the estimating process;

(vi) Provides for consistent application of estimating techniques;

(vii) Provides for detection and timely correction of errors;

(viii) Protects against cost duplication and omissions;

(ix) Provides for the use of historical experience, including historical vendor pricing information, where appropriate;

(x) Requires use of appropriate analytical methods;

(xi) Integrates information available from other management systems, where appropriate;

(xii) Requires management review including verification that the company’s estimating policies, procedures, and practices comply with this regulation;

(xiii) Provides for internal review of and accountability for the acceptability of the estimating system, including the comparison of projected results to actual results and an analysis of any differences;

(xiv) Provides procedures to update cost estimates in a timely manner throughout the negotiation process; and

(xv) Addresses responsibility for review and analysis of the reasonableness of subcontract prices.

(3) Indicators of potentially significant estimating deficiencies. The following examples indicate conditions that may produce or lead to significant estimating deficiencies—

(i) Failure to ensure that historical experience is available to and utilized by cost estimators, where appropriate;

(ii) Continuing failure to analyze material costs or failure to perform subcontractor cost reviews as required;

(iii) Consistent absence of analytical support for significant proposed cost amounts;

(iv) Excessive reliance on individual personal judgments where historical experience or commonly utilized standards are available;

(v) Recurring significant defective pricing findings within the same cost element(s);

(vi) Failure to integrate relevant parts of other management systems (e.g., production control or cost accounting) with the estimating system so that the ability to generate reliable cost estimates is impaired; and

(vii) Failure to provide established policies, procedures, and practices to persons responsible for preparing and supporting estimates.

(e) Disposition of findings—(1) Reporting of findings. The auditor shall document findings and recommendations in a report to the contracting officer. If the auditor identifies any significant estimating system deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.

(2) Initial determination. (i) The contracting officer shall review all findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor’s estimating system is acceptable and approved; or

(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.215-7002, Cost Estimating System Requirements) due to the contractor’s failure to meet one or more of the estimating system criteria in the clause at 252.215-7002, the contracting officer shall—
(A) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiency;

(B) Request the contractor to respond in writing to the initial determination within 30 days; and

(C) Promptly evaluate the contractor’s responses to the initial determination, in consultation with the auditor or functional specialist, and make a final determination.

(3) Final determination. (i) The contracting officer shall make a final determination and notify the contractor in writing that—

(A) The contractor’s estimating system is acceptable and approved, and no significant deficiencies remain, or

(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(1) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(2) Disapprove the system in accordance with the clause at 252.215–7002, Cost Estimating System Requirements; and

(3) Withhold payments in accordance with the clause at 252.242–7005, Contractor Business Systems, if the clause is included in the contract.

(ii) Follow the procedures relating to monitoring a contractor’s corrective action and the correction of significant deficiencies in PGI 215.407–5–70(e).

(f) System approval. The contracting officer shall promptly approve a previously disapproved system and release withheld payments, to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.


215.408 Solicitation provisions and contract clauses.

(1) Use the clause at 252.215–7000, Pricing Adjustments, in solicitations and contracts that contain the clause at—

(i) FAR 52.215–11, Price Reduction for Defective Cost or Pricing Data—Modifications;

(ii) FAR 52.215–12, Subcontractor Cost or Pricing Data; or

(iii) FAR 52.215–13, Subcontractor Cost or Pricing Data—Modifications.

(2) Use the clause at 252.215–7002, Cost Estimating System requirements, in all solicitations and contracts to be award on the basis of cost or pricing data.


215.470 Estimated data prices.

(a) DoD requires estimates of the prices of data in order to evaluate the cost to the Government of data items in terms of their management, product, or engineering value.

(b) When data are required to be delivered under a contract, include DD Form 1423, Contract Data Requirements List, in the solicitation. See PGI 215.470(b) for guidance on the use of DD Form 1423.

(c) The contracting officer shall ensure that the contract does not include a requirement for data that the contractor has delivered or is obligated to deliver to the government under another contract or subcontract, and that the successful offeror identifies any such data required by the solicitation. However, where duplicate data are desired, the contract price shall include
the costs of duplication, but not of preparation, of such data.


PART 216—TYPES OF CONTRACTS

Subpart 216.1—Selecting Contract Types

Sec. 216.104–70 Research and development.

Subpart 216.2—Fixed-Price Contracts

216.203 Fixed-price contracts with economic price adjustment.
216.203–4 Contract clauses.
216.203–4–70 Additional clauses.

Subpart 216.3—Cost-Reimbursement Contracts

216.306 Cost-plus-fixed-fee contracts.

Subpart 216.4—Incentive Contracts

216.401 General.
216.401–70 Data collection.
216.401–71 Objective criteria.
216.402 Application of predetermined, formula-type incentives.
216.402–1 Fixed-price incentive contracts.
216.402–1–70 Additional clauses.
216.402–2 Fixed-price incentive (successive targets) contracts.
216.402–3 Cost-plus-incentive-fee contracts.
216.402–3–70 Additional clauses.

Subpart 216.5—Indefinite-Delivery Contracts

216.501 General.
216.501–1 Definitions.
216.501–2 General.
216.504 Indefinite-quantity contracts.
216.505 Ordering.
216.505–70 Orders under multiple award contracts.
216.506 Solicitation provisions and contract clauses.

Subpart 216.6—Time-and-Materials, Labor-Hour, and Letter Contracts

216.601 Time-and-materials contracts.
216.603 Letter contracts.
216.603–2 Application.
216.603–3 Limitations.
216.603–4 Contract clauses.

Subpart 216.7—Agreements

216.703 Basic ordering agreements.


SOURCE: 56 FR 36340, July 31, 1991, unless otherwise noted.

Subpart 216.1—Selecting Contract Types

§ 216.104–70 Research and development.

Follow the procedures at PGI 216.104–70 for selecting the appropriate research and development contract type.

[71 FR 39007, July 11, 2006]

Subpart 216.2—Fixed-Price Contracts

216.203 Fixed-price contracts with economic price adjustment.

§ 216.203–4 Contract clauses.

(1) Generally, use the clauses at FAR 52.216–2, Economic Price Adjustment—Standard Supplies, FAR 52.216–3, Economic Price Adjustment—Semistandard Supplies, and FAR 52.216–4, Economic Price Adjustment—Labor and Material, only when—

(i) The total contract price exceeds the simplified acquisition threshold; and

(ii) Delivery or performance will not be completed within 6 months after contract award.

(2) Follow the procedures at PGI 216.203–4 when using an economic price adjustment clause based on cost indexes of labor or material.

[71 FR 39007, July 11, 2006]

216.203–4–70 Additional clauses.

(a) Price adjustment for basic steel, aluminum, brass, bronze, or copper mill products. (1) The price adjustment clause at 222.216–7000, Economic Price Adjustment—Basic Steel, Aluminum, Brass,
Bronze, or Copper Mill Products, may be used in fixed-price supply contracts for basic steel, aluminum, brass, bronze, or copper mill products, such as sheets, plates, and bars, when an established catalog or market price exists for the particular product being acquired.

(2) The 10 percent figure in paragraph (d)(1) of the clause shall not be exceeded unless approval is obtained at a level above the contracting officer.

(b) Price adjustment for nonstandard steel items. (1) The price adjustment clause at 252.216-7001, Economic Price Adjustment—Nonstandard Steel Items, may be used in fixed-price supply contracts when—

(i) The contractor is a steel producer and actually manufacture the standard steel mill item referred to in the “base steel index” definition of the clause; and

(ii) The items being acquired are nonstandard steel items made wholly or in part of standard steel mill items.

(2) When this clause is included in invitations for bids, omit Note 6 of the clause and all references to Note 6.

(c) Price adjustment for wage rates or material prices controlled by a foreign government. (1) The price adjustment clause at 252.216-7003, Economic Price Adjustment—Wage Rates or Material Prices Controlled by a Foreign Government, may be used in fixed-price supply and service contracts when—

(i) The contract is to be performed wholly or in part in a foreign country; and

(ii) A foreign government controls wage rates or material prices and may, during contract performance, impose a mandatory change in wages or prices of material.

(2) Verify the base wage rates and material prices prior to contract award and prior to making any adjustment in the contract price.

Subpart 216.3—Cost-Reimbursement Contracts

216.306 Cost-plus-fixed-fee contracts.

(c) Limitations. (i) Except as provided in paragraph (c)(ii) of this section, annual military construction appropriations acts prohibit the use of cost-plus-fixed-fee contracts that—

(A) Are funded by a military construction appropriations act;

(B) Are estimated to exceed $25,000; and

(C) Will be performed within the United States, except Alaska.

(ii) The prohibition in paragraph (c)(i) of this section does not apply to contracts specifically approved in writing, setting forth the reasons therefor, in accordance with the following:

(A) The Secretaries of the military departments are authorized to approve such contracts that are for environmental work only, provided the environmental work is not classified as construction, as defined by 10 U.S.C. 2801.

(B) The Secretary of Defense or designee must approve such contracts that are not for environmental work only or are for environmental work classified as construction.

Subpart 216.4—Incentive Contracts

216.401 General.

(c) See PGI 216.401(c) for information on the Defense Acquisition University Award and Incentive Fees Community of Practice.

(e) Award-fee plans required in FAR 16.401(e) shall be incorporated into all award-fee type contracts. Follow the procedures at PGI 216.401(e) when planning to award an award-fee contract.

Defense Acquisition Regulations System, DOD 216.405–2

216.401–70 Data collection.

Section 814 of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364) requires DoD to collect relevant data on award and incentive fees paid to contractors and have mechanisms in place to evaluate such data on a regular basis. In order to comply with this statutory requirement, follow the procedures at PGI 216.401–70.

[75 FR 78619, Dec. 16, 2010]

216.401–71 Objective criteria.

(1) Contracting officers shall use objective criteria to the maximum extent possible to measure contract performance. Objective criteria are associated with cost-plus-incentive-fee and fixed-price-incentive contracts.

(2) When objective criteria exist but the contracting officer determines that it is in the best interest of the Government also to incentivize subjective elements of performance, the most appropriate contract type is a multiple-incentive contract containing both objective incentives and subjective award-fee criteria (i.e., cost-plus-incentive-fee/award-fee or fixed-price-incentive/award-fee).

(3) See PGI 216.401(e) for guidance on the use of award-fee contracts.

[76 FR 57679, Sept. 16, 2011]

216.402 Application of predetermined, formula-type incentives.

216.402–2 Technical performance incentives.

See PGI 216.402–2 for guidance on establishing performance incentives.

[71 FR 39007, July 11, 2006]

216.403 Fixed-price incentive contracts.

216.403–1 Fixed-price incentive (firm target) contracts.

(b) Application.

(1) The contracting officer shall give particular consideration to the use of fixed-price incentive (firm target) contracts, especially for acquisitions moving from development to production.

(2) The contracting officer shall pay particular attention to share lines and ceiling prices for fixed-price incentive (firm target) contracts, with a 120 percent ceiling and a 50/50 share ratio as the point of departure for establishing the incentive arrangement.

(3) See PGI 216.403–1 for guidance on the use of fixed-price incentive (firm target) contracts.

[76 FR 57679, Sept. 16, 2011]

216.403–2 Fixed-price incentive (successive targets) contracts.

See PGI 216.403–2 for guidance on the use of fixed-price incentive (successive targets) contracts.

[71 FR 39007, July 11, 2006]

216.405 Cost-reimbursement incentive contracts.

216.405–1 Cost-plus-incentive-fee contracts.

See PGI 216.405–1 for guidance on the use of cost-plus-incentive-fee contracts.

[71 FR 39007, July 11, 2006]

216.405–2 Cost-plus-award-fee contracts.

(1) Award-fee pool. The award-fee pool is the total available award fee for each evaluation period for the life of the contract. The contracting officer shall perform an analysis of appropriate fee distribution to ensure at least 40 percent of the award fee is available for the final evaluation so that the award fee is appropriately distributed over all evaluation periods to incentivize the contractor throughout performance of the contract. The percentage of award fee available for the final evaluation may be set below 40 percent if the contracting officer determines that a lower percentage is appropriate, and this determination is approved by the head of the contracting activity (HCA). The HCA may not delegate this approval authority.

(2) Award-fee evaluation and payments. Award-fee payments other than payments resulting from the evaluation at the end of an award-fee period are prohibited. (This prohibition does not apply to base-fee payments.) The fee-determining official’s rating for award-fee evaluations will be provided to the contractor within 45 calendar days of the end of the period being evaluated.
The final award-fee payment will be consistent with the fee-determining official’s final evaluation of the contractor’s overall performance against the cost, schedule, and performance outcomes specified in the award-fee plan.

(3) Limitations.

(i) The cost-plus-award-fee contract shall not be used—

(A) To avoid—

(1) Establishing cost-plus-fixed-fee contracts when the criteria for cost-plus-fixed-fee contracts apply; or

(2) Developing objective targets so a cost-plus-incentive-fee contract can be used; or

(B) For either engineering development or operational system development acquisitions that have specifications suitable for simultaneous research and development and production, except a cost-plus-award-fee contract may be used for individual engineering development or operational system development acquisitions ancillary to the development of a major weapon system or equipment, where—

(1) It is more advantageous; and

(2) The purpose of the acquisition is clearly to determine or solve specific problems associated with the major weapon system or equipment.

(ii) Do not apply the weighted guidelines method to cost-plus-award-fee contracts for either the base (fixed) fee or the award fee.

(iii) The base fee shall not exceed three percent of the estimated cost of the contract exclusive of the fee.

(4) See PGI 216.405–2 for guidance on the use of cost-plus-award-fee contracts.

[76 FR 8305, Feb. 14, 2011]

216.405–270 Award fee reduction or denial for jeopardizing the health or safety of Government personnel.

(a) Definitions.

Covered incident and serious bodily injury, as used in this section, are defined in the clause at 252.216–7004, Award Fee Reduction or Denial for Jeopardizing the Health or Safety of Government Personnel.

(b) The contracting officer shall include in the evaluation criteria of any award-fee plan, a review of contractor and subcontractor actions that jeopardized the health or safety of Government personnel, through gross negligence or reckless disregard for the safety of such personnel, as determined through—

(1) Conviction in a criminal proceeding, or finding of fault and liability in a civil or administrative proceeding (in accordance with section 823 of the National Defense Authorization Act for Fiscal Year 2010 (Pub. L. 111–84)); or

(2) If a contractor or a subcontractor at any tier is not subject to the jurisdiction of the U.S. courts, a final determination of contractor or subcontractor fault resulting from a DoD investigation (in accordance with section 834 of the National Defense Authorization Act for Fiscal Year 2011 (Pub. L. 111–383)).

(c) In evaluating the contractor’s performance under a contract that includes the clause at 252.216–7004, Award Fee Reduction or Denial for Jeopardizing the Health or Safety of Government Personnel, the contracting officer shall consider reducing or denying other military operations or exercises that are designated by the combatant commander (see 225.370).

(b) In evaluating the contractor’s performance under a contract that includes the clause at 252.225–7039, Contractors Performing Private Security Functions, the contracting officer shall consider reducing or denying award fees for a period if the contractor fails to comply with the requirements of the clause during such period. The contracting officer’s evaluation also shall consider recovering all or part of award fees previously paid for such period.

[76 FR 82135, Aug. 19, 2011]
award fees for a period if contractor or subcontractor actions cause serious bodily injury or death of civilian or military Government personnel during such period. The contracting officer’s evaluation also shall consider recovering all or part of award fees previously paid for such period.

[75 FR 69361, Nov. 12, 2010]

216.406 Contract clauses.

(e)(1) Use the clause at 252.216–7004, Award Fee Reduction or Denial for Jeopardizing the Health or Safety of Government Personnel, in all solicitations and contracts containing award-fee provisions.

(2) Use the clause at 252.216–7005, Award Fee, in solicitations and contracts when an award-fee contract is contemplated.

[76 FR 8305, Feb. 14, 2011]

216.470 Other applications of award fees.

See PGI 216.470 for guidance on other applications of award fees.

[71 FR 39008, July 11, 2006]

Subpart 216.5—Indefinite-Delivery Contracts

216.501 General.

(a)(i) For items with a shelf-life of less than 6 months, consider the use of indefinite-delivery type contracts with orders to be placed either—

(A) Directly by the users; or

(B) By central purchasing offices with deliveries direct to users.

(ii) Whenever an indefinite-delivery contract is issued, the issuing office must furnish all ordering offices sufficient information for the ordering office to complete its contract reporting responsibilities under 204.670–2. This data must be furnished to the ordering activity in sufficient time for the activity to prepare its report for the action within 3 working days of the order.


216.501–1 Definitions.

Multiple award contract, as used in this subpart, means—

(1) A multiple award task order contract entered into in accordance with FAR 16.504(c); or

(2) Any other indefinite-delivery, indefinite-quantity contract that an agency enters into with two or more sources under the same solicitation.

[67 FR 56638, Oct. 25, 2002]

216.501–2 General.

(a) See 217.204(e) for limitations on the period for task order or delivery order contracts awarded by DoD pursuant to 10 U.S.C. 2304a.

[69 FR 13478, Mar. 23, 2004]

216.504 Indefinite-quantity contracts.

(c)(1)(ii)(D) Limitation on single-award contracts.

* * * * * * *

(2) The head of the agency must notify the congressional defense committees within 30 days after any determination under this section and provide a copy of the determination and notification to the Deputy Director, Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), OUSD (AT&L) DPAP/CPIC, 3060 Defense Pentagon, Washington, DC 20301–3060. If the award concerns intelligence or intelligence-related activities of DoD, notification shall also be provided to the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives. (See sample notification at PGI 216.504(c)(1)(ii)(D)(2).)

(3) A copy of any determination made in accordance with FAR 16.504(c)(1)(i)(D) shall be submitted to: Deputy Director, Defense Procurement (Contract Policy and International Contracting), OUSD (AT&L) DPAP (CPIC), 3060 Defense Pentagon, Washington, DC 20301–3060.


216.505 Ordering.

(1) Departments and agencies shall comply with the review, approval, and
§ 216.505–70 Orders under multiple award contracts.

(a) This subsection—

(1) Implements Section 803 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. 107–107) for the acquisition of services, and establishes similar policy for the acquisition of supplies;

(2) Applies to orders for supplies or services exceeding $150,000 placed under multiple award contracts;

(3) Also applies to orders placed by non-DoD agencies on behalf of DoD; and

(4) Does not apply to orders for architect-engineer services, which shall be placed in accordance with the procedures in FAR Subpart 36.6.

(b) Each order exceeding $150,000 shall be placed on a competitive basis in accordance with paragraph (c) of this subsection, unless this requirement is waived on the basis of a justification that is prepared and approved in accordance with FAR 8.405–6 and includes a written determination that—

(1) A statute expressly authorizes or requires that the purchase be made from a specified source; or

(2) One of the circumstances described at FAR 16.505(b)(2)(i) through (iv) applies to the order. Follow the procedures at PGI 216.505–70 if FAR 16.505(b)(2)(ii) or (iii) is deemed to apply.

(c) An order exceeding $150,000 is placed on a competitive basis only if the contracting officer—

(1) Provides a fair notice of the intent to make the purchase, including a description of the supplies to be delivered or the services to be performed and the basis upon which the contracting officer will make the selection, to all contractors offering the required supplies or services under the multiple award contract; and

(2) Affords all contractors responding to the notice a fair opportunity to submit an offer and have that offer fairly considered.

(d) When using the procedures in this subsection—

(1) The contracting officer should keep contractor submission requirements to a minimum;

(2) The contracting officer may use streamlined procedures, including oral presentations;

(3) The competition requirements in FAR part 6 and the policies in FAR Subpart 15.3 do not apply to the ordering process, but the contracting officer shall consider price or cost under each order as one of the factors in the selection decision; and

(4) The contracting officer should consider past performance on earlier orders under the contract, including quality, timeliness, and cost control.

216.506 Solicitation provisions and contract clauses.

(a) Insert the clause at 252.216–7006, Ordering, in lieu of the clause at 52.216–18, Ordering, in solicitations and contracts when a definite-quantity contract, a requirements contract, or an indefinite-quantity contract is contemplated.

(d) If the contract is for the preparation of personal property for shipment or storage (see 247.271–4), substitute paragraph (f) at 252.247–7015, Requirements, for paragraph (f) of the clause at FAR 52.216–21, Requirements.

216.601 Time-and-materials contracts.

(d) Limitations. (i) The determination and findings shall contain sufficient facts and rationale to justify that no other contract type is suitable. At a minimum, the determination and findings shall—
(A) Include a description of the market research conducted;
(B) Establish that it is not possible at the time of placing the contract or order to accurately estimate the extent or duration of the work or to anticipate costs with any reasonable degree of certainty;
(C) Establish that the requirement has been structured to minimize the use of time-and-materials requirements (e.g., limiting the value or length of the time-and-materials portion of the contract or order; establishing fixed prices for portions of the requirement); and
(D) Describe the actions planned to minimize the use of time-and-materials contracts on future acquisitions for the same requirements.

(ii) For indefinite-delivery contracts, the contracting officer shall—
(A) Structure contracts that authorize time-and-materials orders to also authorize orders on a cost-reimbursement, incentive, or fixed-price basis, to the maximum extent practicable; and
(B) Execute the determination and findings for—
(1) Each order placed on a time-and-materials basis if the indefinite-delivery contract also authorizes orders on a cost-reimbursement, incentive, or fixed-price basis; or
(2) The basic contract if the indefinite-delivery contract only authorizes time-and-materials orders. The determination and findings shall—
(i) Contain sufficient facts and rationale to justify why orders on a cost-reimbursement, incentive, and fixed-price basis are not practicable; and
(ii) Be approved one level above the contracting officer.

(e) Solicitation provisions. Use the provision at FAR 52.216–20, Time-and-Materials/Labor-Hour Proposal Requirements—Non-Commercial Item Acquisition with Adequate Price Competition, with 252.216–7002, Alternate A, in solicitations contemplating the use of a time-and-materials or labor-hour contract type for non-commercial items if the price is expected to be based on adequate competition.

216.603 Letter contracts.

216.603–2 Application.

(c)(3) In accordance with 10 U.S.C. 2326, establish definitization schedules for letter contracts following the requirements at 217.7404–3(a) instead of the requirements at FAR 16.603–2(c)(3).

216.603–3 Limitations.

See subpart 217.74 for additional limitations on the use of letter contracts.

216.603–4 Contract clauses.

(b)(2) See 217.7405(a) for additional guidance regarding use of the clause at FAR 52.216–24, Limitation of Government Liability.

(3) Use the clause at 252.217–7027, Contract Definitization, in accordance with its prescription at 217.7405(b), instead of the clause at FAR 52.216–25, Contract Definitization.

216.703 Basic ordering agreements.

(c) Limitations. The period during which orders may be placed against a basic ordering agreement may not exceed 5 years.

(d) Orders. Follow the procedures at PGI 216.703(d) for issuing orders under basic ordering agreements.

217.103 Definitions.

217.170 General.

217.171 Multiyear contracts for services.

217.172 Multiyear contracts for supplies.

217.173 Multiyear contracts for military family housing.

217.174 Multiyear contracts for electricity from renewable energy sources.

217.202 Use of options.

217.204 Contracts.
217.103 Definitions.

As used in this subpart—

Advance procurement means an exception to the full funding policy that allows acquisition of long lead time items (advance long lead acquisition) or economic order quantities (EOQ) of items (advance EOQ acquisition) in a fiscal year in advance of that in which the related end item is to be acquired. Advance procurements may include materials, parts, components, and effort that must be funded in advance to maintain a planned production schedule.

Military installation means a base, camp, post, station, yard, center, or other activity under the jurisdiction of the Secretary of a military department.
or, in the case of an activity in a foreign country, under the operational control of the Secretary of a military department or the Secretary of Defense (10 U.S.C. 2801(c)(2)).

[68 FR 43332, July 22, 2003]

217.170 General.

(a) Before awarding a multiyear contract, the head of the agency must compare the cost of that contract to the cost of an annual procurement approach, using a present value analysis. Do not award the multiyear contract unless the analysis shows that the multiyear contract will result in the lower cost (10 U.S.C. 2306b(1)(7); section 8008(a) of Pub. L. 105–56 and similar sections in subsequent DoD appropriations acts).

(b) Any requests for increased funding or reprogramming for procurement of a major system under a multiyear contract authorized under this section shall be accompanied by an explanation of how the request for increased funding affects the determinations made by the Secretary of Defense under 217.172(g)(2) (10 U.S.C. 2306b(1)(1)).

(c) The head of the agency must provide written notice to the congressional defense committees at least 10 days before termination of any multiyear contract (10 U.S.C. 2306b(1)(6), 10 U.S.C. 2306c(d)(3), section 8008(a) of Pub. L. 105–56 and similar sections in subsequent DoD appropriations acts).

(d) Every multiyear contract must comply with FAR 17.104(c), unless an exception is approved through the budget process in coordination with the cognizant comptroller.

(e)(1) DoD must provide notification to the congressional defense committees at least 30 days before entering into a multiyear contract for certain procurements, including those expected to—

(i) Employ an unfunded contingent liability in excess of $20 million (see 10 U.S.C. 2306b(1)(B)(1)(D), 10 U.S.C. 2306c(d)(1), and section 8008(a) of Pub. L. 105–56 and similar sections in subsequent DoD appropriations acts);

(ii) Employ economic order quantity procurement in excess of $20 million in any one year of the contract (10 U.S.C. 2306b(1)(1)(B)(1)(I)); or

(iii) Involve a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20 million in any one year (see 10 U.S.C. 306b(1)(1)(B)(ii) and section 8008(a) of Pub. L. 105–56 and similar sections in subsequent DoD appropriations acts); or

(iv) Include a cancellation ceiling in excess of $100 million (see 10 U.S.C. 2306b(1)(1)(B)(i)(I)).

(2) A DoD component must submit a request for authority to enter into a multiyear contract described in paragraphs (e)(1)(i) through (iv) of this section as part of the component’s budget submission for the fiscal year in which the multiyear contract will be initiated. DoD will include the request, for each candidate it supports, as part of the President’s budget for that year and in the Appendix to that budget as part of proposed legislative language for the appropriations bill for that year (section 8008(b) of Pub. L. 105–56).

(3) If the advisability of using a multiyear contract becomes apparent too late to satisfy the requirements in paragraph (e)(2) of this section, the request for authority to enter into a multiyear contract must be—

(i) Formally submitted by the President as a budget amendment; or

(ii) Made by the Secretary of Defense, in writing, to the congressional defense committees (see section 8008(b) of Pub. L. 105–56).

(4) Agencies must establish reporting procedures to meet the congressional notification requirements of paragraph (e)(1) of this section. The head of the agency must submit a copy of each notice to the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)DPAP), and to the Deputy Under Secretary of Defense (Comptroller) (Program/Budget) (OUSD(C)(PB)).

(5) If the budget for a contract that contains a cancellation ceiling in excess of $100 million does not include
proposed funding for the costs of contract cancellation up to the cancellation ceiling established in the contract—

(i) The notification required by paragraph (e)(1) of this section shall include—

(A) The cancellation ceiling amounts planned for each program year in the proposed multiyear contract, together with the reasons for the amounts planned;

(B) The extent to which costs of contract cancellation are not included in the budget for the contract; and

(C) A financial risk assessment of not including budgeting for costs of contract cancellation (10 U.S.C. 2306b(g) and 10 U.S.C. 2306c(d)); and

(ii) The head of the agency shall provide copies of the notification to the Office of Management and Budget at least 14 days before contract award.


217.171 Multiyear contracts for services.

(a) The head of the agency may enter into a multiyear contract for a period of not more than 5 years for the following types of services (and items of supply relating to such services), even though funds are limited by statute to obligation only during the fiscal year for which they were appropriated (10 U.S.C. 2306c). Covered services are—

(1) Operation, maintenance, and support of facilities and installations;

(2) Maintenance or modification of aircraft, ships, vehicles, and other highly complex military equipment;

(3) Specialized training requiring high-quality instructor skills (e.g., training for pilots and aircrew members or foreign language training);

(4) Base services (e.g., ground maintenance, in-plane refueling, bus transportation, and refuse collection and disposal); and

(5) Environmental remediation services for—

(i) An active military installation;

(ii) A military installation being closed or realigned under a base closure law as defined in 10 U.S.C. 2667(h); or

(iii) A site formerly used by DoD.

(b) The head of the agency must be guided by the following principles when entering into a multiyear contract for services:

(1) The portion of the cost of any plant or equipment amortized as a cost of contract performance should not exceed the ratio between the period of contract performance and the anticipated useful commercial life of the plant or equipment. As used in this section, “useful commercial life” means the commercial utility of the facilities rather than the physical life, with due consideration given to such factors as the location, specialized nature, and obsolescence of the facilities.

(2) Consider the desirability of obtaining an option to extend the term of the contract for a reasonable period not to exceed 3 years at prices that do not include charges for plant, equipment, or other nonrecurring costs already amortized.

(3) Consider the desirability of reserving the right to take title, under the appropriate circumstances, to the plant or equipment upon payment of the unamortized portion of the cost.

(c) Before entering into a multiyear contract for services, the head of the agency must make a written determination that—

(1) There will be a continuing requirement for the services consistent with current plans for the proposed contract period;

(2) Furnishing the services will require—

(C)(2) A substantial initial investment in plant or equipment; or

(ii) The incurrence of substantial contingent liabilities for the assembly, training, or transportation of a specialized work force; and

(3) Using a multiyear contract will promote the best interests of the United States by encouraging effective competition and promoting economies in operations.

217.172 Multiyear contracts for supplies.

(a) This section applies to all multiyear contracts for supplies, including weapon systems and other multiyear acquisitions specifically authorized by law (10 U.S.C. 2306b).

(b) The head of the agency may enter into a multiyear contract for supplies if, in addition to the conditions listed in FAR 17.105–1(b), the use of such a contract will promote the national security of the United States (10 U.S.C. 2306b(a)(6)).

(c) Multiyear contracts in amounts exceeding $500 million must be specifically authorized by law (10 U.S.C. 2306b and 10 U.S.C. 2306c). A multiyear supply contract may be authorized by an appropriations act or a law other than an appropriations act (10 U.S.C. 2306b(i)(3) and (l)(3)).

(d) The head of the agency shall not enter into a multiyear contract unless—

(1) The Secretary of Defense has submitted to Congress a budget request for full funding of units to be procured through the contract; and

(2) In the case of a contract for procurement of aircraft, the budget request includes full funding of procurement funds for production beyond advance procurement activities of aircraft units to be produced in the fiscal year covered by the budget.

(e)(1) The head of the agency must not enter into or extend a multiyear contract that exceeds $500 million (when entered into or extended until the Secretary of Defense identifies the contract and any extension in a report submitted to the congressional defense committees (10 U.S.C. 2306b(1)(5))).

(2) In addition, for contracts equal to or greater than $500 million, the head of the contracting activity must determine that the conditions required by paragraph (g)(2)(i) through (vii) of this section will be met by such contract, in accordance with the Secretary's certification and determination required by paragraph (g)(2) of this section (10 U.S.C. 2306b(a)(1)(7)).

(f) The head of the agency may enter into a multiyear contract for—

(1) A weapon system and associated items, services, and logistics support for a weapon system; and
will be awarded (10 U.S.C. 2306b(i)(1)(C)).

(iv) A sufficient number of end items of the system being acquired under such contract have been delivered at or within the most current estimates of the program acquisition unit cost or procurement unit cost for such system to determine that current estimates of such unit costs are realistic (10 U.S.C. 2306b(i)(1)(D)).

(v) Sufficient funds will be available in the fiscal year in which the contract is to be awarded to perform the contract, and the future-years defense program for such fiscal year will include the funding required to execute the program without cancellation (10 U.S.C. 2306b(i)(1)(E)).

(vi) The contract is a fixed price type contract (10 U.S.C. 2306b(i)(1)(F)).

(vii) The proposed multiyear contract provides for production at not less than minimum economic rates, given the existing tooling and facilities. The head of the agency shall submit to USD(C)(P/B) information supporting the agency’s determination that this requirement has been met (10 U.S.C. 2306b(i)(1)(G)).

(viii) The head of the agency shall submit information supporting this certification to USD(C)(P/B) for transmission to Congress through the Secretary of Defense.

(A) The head of the agency shall, as part of this certification, give written notification to the congressional defense committees of—

(1) The cancellation ceiling amounts planned for each program year in the proposed multiyear contract, together with the reasons for the amounts planned;

(2) The extent to which costs of contract cancellation are not included in the budget for the contract; and

(3) A financial risk assessment of not including the budgeting for costs of contract cancellation (10 U.S.C. 2306b(g)); and

(B) The head of the agency shall provide copies of the notification to the Office of Management and Budget at least 14 days before contract award.

(3) The contract is for the procurement of a complete and usable end item (10 U.S.C. 2306b(i)(4)(A)).

(4) Funds appropriated for any fiscal year for advance procurement are obligated only for the procurement of those long-lead items that are necessary in order to meet a planned delivery schedule for complete major end items that are programmed under the contract to be acquired with funds appropriated for a subsequent fiscal year (including an economic order quantity of such long-lead items when authorized by law (10 U.S.C. 2306b(i)(4)(B)).

(5) The Secretary may make the certification under paragraph (g)(2) of this section notwithstanding the fact that one or more of the conditions of such certification are not met if the Secretary determines that, due to exceptional circumstances, proceeding with a multiyear contract under this section is in the best interest of the Department of Defense and the Secretary provides the basis for such determination with the certification (10 U.S.C. 2306b(i)(5)).

(6) The Secretary of Defense may not delegate this authority to make the certification under paragraph (g)(2) of this section or the determination under paragraph (g)(5) of this section to an official below the level of the Under Secretary of Defense for Acquisition, Technology, and Logistics (10 U.S.C. 2306b(i)(6)).

(7) The Secretary of Defense shall send a notification containing the findings of the agency head under FAR 17.105–1(b), and the basis for such findings, 30 days prior to the award of a multiyear contract or a defense acquisition program that has been specifically authorized by law to the congressional defense committees (10 U.S.C. 2306b(i)(7)).

(8) All other requirements of law are met and there are no other statutory restrictions on using a multiyear contract for the specific system or component (10 U.S.C. 2306b(i)(2)). One such restriction may be the achievement of specified cost savings. If the agency finds, after negotiations with the contractor(s), that the specified savings cannot be achieved, the head of the agency shall assess the savings that, nevertheless, could be achieved by using a multiyear contract. If the savings are substantial, the head of the agency may request relief from the
law’s specific savings requirement. The request shall—
(i) Quantify the savings that can be achieved;
(ii) Explain any other benefits to the Government of using the multiyear contract;
(iii) Include details regarding the negotiated contract terms and conditions; and
(iv) Be submitted to OUSD(AT&L)DPAP for transmission to Congress via the Secretary of Defense and the President.
(h) The Secretary of Defense may instruct the head of the agency proposing a multiyear contract to include in that contract negotiated priced options for varying the quantities of end items to be procured over the life of the contract (10 U.S.C. 2306b(j)).

Subpart 217.2—Options

217.202 Use of options.
(1) See PGI 217.202 for guidance on the use of options.
(2) See 234.005-1 for limitations on the use of contract options for the provision of advanced component development or prototype of technology developed under the contract or the delivery of initial or additional prototype items.

217.204 Contracts.
(e)(i) Notwithstanding FAR 17.204(e), the ordering period of a task order or delivery order contract (including a contract for information technology) awarded by DoD pursuant to 10 U.S.C. 2304a—
(A) May be for any period up to 5 years;
(B) May be subsequently extended for one or more successive periods in accordance with an option provided in the contract or a modification of the contract; and
(C) Shall not exceed 10 years unless the head of the agency determines in writing that exceptional circumstances require a longer ordering period.
(ii) DoD must submit a report to Congress, annually through fiscal year 2009, when an ordering period is extended beyond 10 years in accordance with paragraph (e)(i)(C) of this section. Follow the procedures at PGI 217.204(e) for reporting requirements.
(iii) Paragraph (e)(i) of this section does not apply to the following:
(A) Contracts, including task or delivery order contracts, awarded under other statutory authority.
(B) Advisory and assistance service task order contracts (authorized by 10 U.S.C. 2304b that are limited by statute to 5 years, with the authority to extend an additional 6 months (see FAR 16.505(c)).
(C) Definite-quantity contracts.
(D) GSA schedule contracts.
(E) Multi-agency contracts awarded by agencies other than NASA, DoD, or the Coast Guard.
(iv) Obtain approval from the senior procurement executive before issuing an order against a task or delivery order contract subject to paragraph (e)(i) of this section, if performance under the order is expected to extend more than 1 year beyond the 10-year limit or extended limit described in paragraph (e)(i)(C) of this section (see FAR 37.106 for funding and term of service contracts).

[70 FR 73152, Dec. 9, 2005]

217.207 Exercise of options.

(c) In addition to the requirements at FAR 17.207(c), exercise an option only after determining that the contractor’s record in the Central Contractor Registration database is active and the contractor’s Data Universal Numbering System (DUNS) number, Commercial and Government Entity (CAGE) code, name, and physical address are accurately reflected in the contract document.

[74 FR 37644, July 29, 2009]

217.208 Solicitation provisions and contract clauses.

Sealed bid solicitations shall not include provisions for evaluations of options unless the contracting officer determines that there is a reasonable likelihood that the options will be exercised (10 U.S.C. 2305(a)(5)). This limitation also applies to sealed bid solicitations for the contracts excluded by FAR 17.200.

[63 FR 11529, Mar. 9, 1998, as amended at 71 FR 27642, May 12, 2006]

217.208–70 Additional clauses.

(a) Use the clause at 252.217–7000, Exercise of Option to Fulfill Foreign Military Sales Commitments, when an option may be used for foreign military sale requirements.

(1) Use Alternate I when the foreign military sale country is not known at the time of solicitation or award.

(2) Do not use this clause in contracts for establishment or replenishment of DoD inventories or stocks, or acquisitions made under DoD cooperative logistics support arrangements.

(b) When a surge option is needed in support of industrial capability production planning, use the clause at 252.217–7001, Surge Option, in solicitations and contracts.

(1) Insert the percentage of increase the option represents in paragraph (a) of the clause to ensure adequate quantities are available to meet item requirements.

(2) Change 30 days in paragraphs (b)(2) and (d)(1) to longer periods, if appropriate.

(3) Change the 24-month period in paragraph (c)(3), if appropriate.

[63 FR 11529, Mar. 9, 1998, as amended at 71 FR 27642, May 12, 2006]

Subpart 217.5—Interagency Acquisitions Under the Economy Act

SOURCE: 63 FR 11530, Mar. 9, 1998, unless otherwise noted.

217.500 Scope of subpart.

(b) Unless more specific statutory authority exists, the procedures in FAR Subpart 17.5, this subpart, and DODI 4000.19 apply to all purchases, except micro-purchases, made for DoD by another agency. This includes orders under a task or delivery order contract entered into by the other agency. (Pub. L. 105–261, Section 814.)

[64 FR 14400, Mar. 25, 1999]

217.504 Ordering procedures.

(a) When the requesting agency is within DoD, a copy of the executed D&F shall be furnished to the servicing agency as an attachment to the order. When a DoD contracting office is acting as the servicing agency, a copy of the executed D&F shall be obtained from the requesting agency and placed in the contract file for the Economy Act order.
Defense Acquisition Regulations System, DOD

Subpart 217.6—Management and Operating Contracts

217.600 Scope of subpart.

FAR subpart 17.6 does not apply to DoD.

Subpart 217.70—Exchange of Personal Property

217.7000 Scope of subpart.

This subpart prescribes policy and procedures for exchange of nonexcess personal property concurrent with an acquisition. Section 201(c) of the Federal Property and Administrative Services Act of 1949, 63 Stat. 384, as amended (40 U.S.C. 481(c)) permits exchange of personal property and application of the exchange allowance to the acquisition of similar property. This subpart does not authorize the sale of nonexcess personal property.

217.7001 Definitions.

As used in this subpart—

(a) Exchange (trade-in) property means property which—

(1) Is not excess but is eligible for replacement (because of obsolescence, unserviceability, or other reason); and

(2) Is applied as whole or partial payment toward the acquisition of similar items (i.e., items designed and constructed for the same purpose).

(b) Property means items that fall within one of the generic categories listed in DoD 4140.1–R, DoD Materiel Management Regulation, Chapter 6.2, Exchange or Sale of Nonexcess Personal Property.

(b) DoD 4140.1–R, Chapter 6.2.

217.7003 Purchase request.

Ensure that the requiring activity provides all of the following in support of the purchase request—

(a) A certification that the property is eligible for exchange and complies with all conditions and limitations of DoD 4140.1–R, Chapter 6.2.

(b) A written determination of economic advantage indicating—

(1) The anticipated economic advantage to the Government from use of the exchange authority;

(2) That exchange allowances shall be applied toward, or in partial payment of, the items to be acquired; and

(3) That, if required, the exchange property has been rendered safe or innocuous or has been demilitarized;

(c) All applicable approvals for the exchange; and

(d) A description of the property available for exchange (e.g., nomenclature, location, serial number, estimated travel value).

217.7004 Solicitation and award.

(a) Solicitations shall include a request for offerors to state prices—

(1) For the new items being acquired without any exchange; and

(2) For the new items with the exchange (trade-in allowance) for the exchange property listed.

(b) The contracting officer is not obligated to award on an exchange basis. If the lowest evaluated offer is an offer for the new items without any exchange, the contracting officer may award on that basis and forgo the exchange.

(c) Exchanges may be made only with the successful offeror. When the successful offer includes an exchange, award one contract for both the acquisition of the new property and the trade-in of the exchange property. The only exception is when the items must be acquired against a mandatory Federal supply schedule contract, in which case, award a separate contract for the exchange.
217.7005  Solicitation provision.

Use the provision at 252.217–7002, Offering Property for Exchange, when offering nonexcess personal property for exchange. Allow a minimum of 14 calendar days for the inspection period in paragraph (b) of the clause if the exchange property is in the contiguous United States. Allow at least 21 calendar days outside the contiguous United States.

[70 FR 35544, June 21, 2005]

Subpart 217.71—Master Agreement for Repair and Alteration of Vessels

217.7100  Scope of subpart.

This subpart contains acquisition policies and procedures for master agreements for repair and alteration of vessels.

217.7101  Definitions.

(a) Master agreement for repair and alteration of vessels—
(1) Is a written instrument of understanding, negotiated between a contracting activity and a contractor that—
(A) Contains contract clauses, terms, and conditions applying to future contracts for repairs, alterations, and/or additions to vessels; and
(B) Contemplates separate future contracts that will incorporate by reference or attachment the required and applicable clauses agreed upon in the master agreement.
(2) Is not a contract.
(b) Job order—
(1) Is a fixed price contract incorporating, by reference or attachment, a master agreement for repair and alteration of vessels;
(2) May include clauses pertaining to subjects not covered by the master agreement; but applicable to the job order being awarded; and
(3) Applies to a specific acquisition and sets forth the scope of work, price, delivery date, and other appropriate terms that apply to the particular job order.

217.7102  General.

(a) Activities shall enter into master agreements for repair and alteration of vessels with all prospective contractors located within the United States or its outlying areas, which—
(1) Request ship repair work; and
(2) Possess the organization and facilities to perform the work satisfactorily. (Issuance of a master agreement does not indicate approval of the contractor’s facility for any particular acquisition and is not an affirmative determination of responsibility under FAR subpart 9.1 for any particular acquisition.)
(b) Activities may use master agreements in work with prospective contractors located outside the United States and its outlying areas.
(c) Activities may issue job orders under master agreements to effect repairs, alterations, and/or additions to vessels belonging to foreign governments.
(1) Contractors shall treat vessels of a foreign government as if they were vessels of the U.S. Government whenever requested to do so by the contracting officer.
(2) Identify the vessel and the foreign government in the solicitation and job order.


217.7103  Master agreements and job orders.

217.7103–1 Content and format of master agreements.

Follow the procedures at PGI 217.7103–1 for preparation of master agreements.

[71 FR 27642, May 12, 2006]

217.7103–2 Period of agreement.

(a) Master agreements remain in effect until canceled by either the contractor or the contracting officer.
(b) Master agreements can be canceled by either the contractor or the contracting officer by giving 30 days written notice to the other.
(c) Cancellation of a master agreement does not affect the rights and liabilities under any job order existing at the time of cancellation. The contractor must continue to perform all work covered by any job order issued before the effective date of cancellation of the master agreement.
217.7103–3 Solicitations for job orders. 

(a) When a requirement arises within the United States or its outlying areas for the type of work covered by the master agreement, solicit offers from prospective contractors that—

(1) Previously executed a master agreement; or

(2) Have not previously executed a master agreement, but possess the necessary qualifications to perform the work and agree to execute a master agreement before award of a job order.

(b) Follow the procedures at PGI 217.7103–3 when preparing solicitations for job orders.


217.7103–4 Emergency work.

(a) The contracting officer, without soliciting offers, may issue a written job order to a contractor that has previously executed a master agreement when—

(i) Delay in the performance of necessary repair work would endanger a vessel, its cargo or stores; or

(ii) Military necessity requires immediate work on a vessel.

(b) Follow the procedures at PGI 217.7103–4 when processing this type of undefined contract action.


217.7103–5 Repair costs not readily ascertainable.

Follow the procedures at PGI 217.7103–5 if the nature of any repairs is such that their extent and probable cost cannot be ascertained readily.

[71 FR 27643, May 12, 2006]

217.7103–6 Modification of master agreements.

(a) Review each master agreement at least annually before the anniversary of its effective date and revise it as necessary to conform to the requirements of the FAR and DFARS. Statutory or other mandatory changes may require review and revision earlier than one year.

(b) A master agreement shall be changed only by modifying the master agreement itself. It shall not be changed through a job order.

(c) A modification to a master agreement shall not affect job orders issued before the effective date of the modification.

[63 FR 11529, Mar. 9, 1998. Redesignated at 71 FR 27643, May 12, 2006]

217.7104 Contract clauses.

(a) Use the following clauses in solicitations for, and in, master agreements for repair and alteration of vessels:

(1) 252.217–7003, Changes.

(2) 252.217–7004, Job Orders and Compensation.

(3) 252.217–7005, Inspection and Manner of Doing Work.

(4) 252.217–7006, Title.

(5) 252.217–7007, Payments.

(6) 252.217–7008, Bonds.

(7) 252.217–7009, Default.

(8) 252.217–7010, Performance.

(9) 252.217–7011, Access to Vessel.

(10) 252.217–7012, Liability and Insurance.


(12) 252.217–7014, Discharge of Liens.

(13) 252.217–7015, Safety and Health.

(14) 252.217–7016, Plant Protection, as applicable.

(b)(1) Incorporate in solicitations for, and in, job orders, the clauses in the master agreement, and any other clauses on subjects not covered by the master agreement, but applicable to the job order to be awarded.

(2) Use the clause at 252.217–7016, Plant Protection, in job orders where performance is to occur at the contractor’s facility.

Subpart 217.72 [Reserved]

Subpart 217.73—Identification of Sources of Supply

217.7300 Scope.

This subpart implements 10 U.S.C. 2384. It contains policy and procedures for requiring contractors to identify the actual manufacturer of supplies furnished to DoD.
217.7301 Policy.

Contractors shall identify their sources of supply in contracts for supplies. Contractor identification of sources of supply enables solicitation, in subsequent acquisitions, of actual manufacturers or other suppliers of items. This enhances competition and potentially avoids payment of additional costs for no significant added value.

217.7302 Procedures.

(a) Whenever practicable, include a requirement for contractor identification of sources of supply in all contracts for the delivery of supplies. The identification shall include—
   (1) The item’s actual manufacturer or producer, or all the contractor’s sources for the item;
   (2) The item’s national stock number (if there is one);
   (3) The item identification number used by—
      (i) The actual manufacturer or producer of the item; or
      (ii) Each of the contractor’s sources for the item; and
   (4) The source of any technical data delivered under the contract.
(b) The requirement in paragraph (a) of this section does not apply to contracts that are—
   (1) For commercial items; or
   (2) Valued at or below the simplified acquisition threshold.

217.7400 Scope.

This subpart prescribes policies and procedures implementing 10 U.S.C. 2326.

217.7401 Definitions.

As used in this subpart—
(a) Contract action means an action which results in a contract.
   (1) It includes contract modifications for additional supplies or services.
   (2) It includes task orders and delivery orders.
   (3) It does not include change orders, administrative changes, funding modifications, or any other contract modifications that are within the scope and under the terms of the contract, e.g., engineering change proposals, value engineering change proposals, and over and above work requests as described in Subpart 217.77. For policy relating to definitization of change orders, see 243.204–70.
(b) Definitization means the agreement on, or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract.
(c) Qualifying proposal means a proposal containing sufficient information for the DoD to do complete and meaningful analyses and audits of the—
   (1) Information in the proposal; and
   (2) Any other information that the contracting officer has determined DoD needs to review in connection with the contract.
(d) Undefinitized contract action means any contract action for which the contract terms, specifications, or price are
Defense Acquisition Regulations System, DOD

217.7404–3 Limitations.

217.7404–1 Authorization.

The contracting officer shall obtain approval from the head of the contracting activity before—

(a) Entering into a UCA. The request for approval must fully explain the need to begin performance before definitization, including the adverse impact on agency requirements resulting from delays in beginning performance.

(b) Including requirements for non-urgent spare parts and support equipment in a UCA. The request should show that inclusion of the non-urgent items is consistent with good business practices and in the best interest of the United States.

(c) Modifying the scope of a UCA when performance has already begun. The request should show that the modification is consistent with good business practices and in the best interests of the United States.

217.7404–2 Price ceiling.

UCAs shall include a not-to-exceed price.

217.7404–3 Definitization schedule.

(a) UCAs shall contain definitization schedules that provide for definitization by the earlier of—

(1) The date that is 180 days after issuance of the action (this date may be extended but may not exceed the date that is 180 days after the contractor submits a qualifying proposal); or

(2) The date on which the amount of funds obligated under the contract action is equal to more than 50 percent of the not-to-exceed price.

(b) Submission of a qualifying proposal in accordance with the definitization schedule is a material element of the contract. If the contractor does not submit a timely qualifying proposal, the contracting officer may suspend or reduce progress payments under FAR 32.503–6, or take other appropriate action.

217.7402 Exceptions.

(a) The following undefinitized contract actions (UCAs) are not subject to this subpart. However, the contracting officer shall apply the policy and procedures to them to the maximum extent practicable (also see paragraph (b) of this section):

(1) UCAs for foreign military sales;

(2) Purchases at or below the simplified acquisition threshold;

(3) Special access programs;

(4) Congressionally mandated long-lead procurement contracts.

(b) If the contracting officer determines that it is impracticable to adhere to the policy and procedures of this subpart for a particular contract action that falls within one of the categories in paragraph (a)(1), (3), or (4) of this section, the contracting officer shall provide prior notice, through agency channels, to the Deputy Director, Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), 3060 Defense Pentagon, Washington, DC 20301–3060.

217.7403 Policy.

DoD policy is that undefinitized contract actions shall—

(a) Be used only when—

(1) The negotiation of a definitive contract action is not possible in sufficient time to meet the Government’s requirements; and

(2) The Government’s interest demands that the contractor be given a binding commitment so that contract performance can begin immediately.

(b) Be as complete and definite as practicable under the particular circumstances.
217.7404–4 Limitations on obligations.

(a) The Government shall not obligate more than 50 percent of the not-to-exceed price before definitization. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, then the limitation on obligations before definitization may be increased to no more than 75 percent (see 232.102–70 for coverage on provisional delivery payments).

(b) In determining the appropriate amount to obligate, the contracting officer shall assess the contractor’s proposal for the undefinitized period and shall obligate funds only in an amount consistent with the contractor’s requirements for the undefinitized period.

[60 FR 29498, June 5, 1995, as amended at 74 FR 37650, July 29, 2009]

217.7404–5 Exceptions.

(a) The limitations in 217.7404–2, 217.7404–3, and 217.7404–4 do not apply to UCAs for the purchase of initial spares.

(b) The head of an agency may waive the limitations in 217.7404–2, 217.7404–3, and 217.7404–4 for UCAs if the head of the agency determines that the waiver is necessary to support—

(1) A contingency operation; or

(2) A humanitarian or peacekeeping operation.

[60 FR 29498, June 5, 1995, as amended at 63 FR 67804, Dec. 9, 1998; 71 FR 27643, May 12, 2006]

217.7404–6 Allowable profit.

When the final price of a UCA is negotiated after a substantial portion of the required performance has been completed, the head of the contracting activity shall ensure the profit allowed reflects—

(a) Any reduced cost risk to the contractor for costs incurred during contract performance before negotiation of the final price;

(b) The contractor’s reduced cost risk for costs incurred during performance of the remainder of the contract; and

(c) The requirements at 215.404–71–3(d)(2). The risk assessment shall be documented in the contract file.

[74 FR 37650, July 29, 2009]

217.7405 Plans and reports.

(a) To provide for enhanced management and oversight of UCAs, departments and agencies shall—

(1) Prepare and maintain a Consolidated UCA Management Plan; and

(2) Prepare semi-annual Consolidated UCA Management Reports addressing each UCA with an estimated value exceeding $5 million.

(b) Consolidated UCA Management Reports and Consolidated UCA Management Plan updates shall be submitted to the Office of the Director, Defense Procurement and Acquisition Policy, by October 31 and April 30 of each year in accordance with the procedures at PGI 217.7405.

(c) Consolidated UCA Management Reports shall include information about all change orders that are not forward priced (i.e., unpriced) and have an estimated value exceeding $5 million.

[74 FR 37650, July 29, 2009, as amended at 75 FR 48277, Aug. 10, 2010]

217.7406 Contract clauses.

(a) Use the clause at FAR 52.216–24, Limitation of Government Liability, in—

(1) All UCAs;

(2) Solicitations associated with UCAs;

(3) Basic ordering agreements;

(4) Indefinite-delivery contracts;

(5) Any other type of contract providing for the use of UCAs; and

(6) Unpriced change orders with an estimated value exceeding $5 million.

(b)(1) Use the clause at 252.217–7027, Contract Definitization, in—

(i) All UCAs;

(ii) Solicitations associated with UCAs;

(iii) Basic ordering agreements;

(iv) Indefinite-delivery contracts;

(v) Any other type of contract providing for the use of UCAs; and

(vi) Unpriced change orders with an estimated value exceeding $5 million.

(2) Insert the applicable information in paragraphs (a), (b), and (d) of the clause.

(3) If, at the time of entering into the UCA or unpriced change order, the contracting officer knows that the definitive contract action will meet the criteria of FAR 15.403–1, 15.403–2, or 15.403–
Defense Acquisition Regulations System, DOD 217.7505

3 for not requiring submission of cost or pricing data, the words “and cost or pricing data” may be deleted from paragraph (a) of the clause.

[75 FR 48277, Aug. 10, 2010]

Subpart 217.75—Acquisition of Replenishment Parts

217.7500 Scope of subpart.

This subpart provides guidance on additional requirements related to acquisition of replenishment parts.

[56 FR 36345, July 31, 1991, as amended at 71 FR 27643, May 12, 2006]

217.7501 Definition.

Replenishment parts, as used in this subpart, means repairable or consumable parts acquired after the initial provisioning process.

[71 FR 27643, May 12, 2006]

217.7502 General.

Departments and agencies—

(a) May acquire replenishment parts concurrently with production of the end item.

(b) Shall provide for full and open competition when fully adequate drawings and any other needed data are available with the right to use for acquisition purposes (see part 227). However—

(1) When data is not available for a competitive acquisition, use one of the procedures at PGI 217.7504.

(2) Replenishment parts must be acquired so as to ensure the safe, dependable, and effective operation of the equipment. Where this assurance is not possible with new sources, competition may be limited to the original manufacturer of the equipment or other sources that have previously manufactured or furnished the parts as long as the action is justified. See 209.270 for requirements applicable to replenishment parts for aviation or ship critical safety items.

(c) Shall follow the limitations on price increases in 217.7505.


217.7503 Spares acquisition integrated with production.

Follow the procedures at PGI 217.7503 for acquiring spare parts concurrently with the end item.

[71 FR 27643, May 12, 2006]

217.7504 Acquisition of parts when data is not available.

Follow the procedures at PGI 217.7504 when acquiring parts for which the Government does not have the necessary data.

[71 FR 27643, May 12, 2006]

217.7505 Limitations on price increases.

This section provides implementing guidance for section 1215 of Public Law 98-94 (10 U.S.C. 2452 note).

(a) The contracting officer shall not award, on a sole source basis, a contract for any centrally managed replenishment part when the price of the part has increased by 25 percent or more over the most recent 12-month period.

(1) Before computing the percentage difference between the current price and the prior price, adjust for quantity, escalation, and other factors necessary to achieve comparability.

(2) Departments and agencies may specify an alternate percentage or percentages for contracts at or below the simplified acquisition threshold.

(b) The contracting officer may award a contract for a part, the price of which exceeds the limitation in paragraph (a) of this section, if the contracting officer certifies in writing to the head of the contracting activity before award that—

(1) The contracting officer has evaluated the price of the part and concluded that the price increase is fair and reasonable; or

(2) The national security interests of the United States require purchase of the part despite the price increase.

(c) The fact that a particular price has not exceeded the limitation in paragraph (a) of this section does not relieve the contracting officer of the responsibility for obtaining a fair and reasonable price.

(d) Contracting officers may include a provision in sole source solicitations
requiring that the offeror supply with its proposal, price and quantity data on any government orders for the replenishment part issued within the most recent 12 months.


217.7506 Spare parts breakout program.

See PGI 217.7506 and DoD 4140.1–R, DoD Supply Chain Materiel Management Regulation, Chapter 8, Section C8.3, for spare parts breakout requirements.

[71 FR 27643, May 12, 2006]

Subpart 217.76—Contracts with Provisioning Requirements

217.7601 Provisioning.

(a) Follow the procedures at PGI 217.7601 for contracts with provisioning requirements.

(b) For technical requirements of provisioning, see DoD 4140.1–R, DoD Supply Chain Materiel Management Regulation, Chapter 2, Section C2.2.

[71 FR 27643, May 12, 2006]

Subpart 217.77—Over and Above Work

217.7701 Procedures.

Follow the procedures at PGI 217.7701 when acquiring over and above work.

[71 FR 27643, May 12, 2006]

217.7702 Contract clause.

Use the clause at 252.217–7028, Over and Above Work, in solicitations and contracts containing requirements for over and above work, except as provided for in subpart 217.71.

Subpart 217.78—Contracts or Delivery Orders Issued by a Non-DoD Agency

Source: 70 FR 29642, May 24, 2005, unless otherwise noted.

217.7800 Scope of subpart.

This subpart—


(b) Prescribes policy for the acquisition of supplies and services through the use of contracts or orders issued by non-DoD agencies.

[70 FR 29642, May 24, 2005, as amended at 74 FR 34270, July 15, 2009; 75 FR 32640, June 8, 2010]

217.7801 Definitions.

As used in this subpart—

Acquisition official means—

(1) A DoD contracting officer; or

(2) Any other DoD official authorized to approve a direct acquisition or an assisted acquisition on behalf of DoD.

Assisted acquisition means the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract or a task or delivery order for the acquisition of supplies or services on behalf of DoD.

Direct acquisition means the type of interagency contracting through which DoD orders a supply or service from a Governmentwide acquisition contract maintained by a non-DoD agency.

Governmentwide acquisition contract means a task or delivery order contract that—

(1) Is entered into by a non-defense agency; and

(2) May be used as the contract under which property or services are procured for one or more other departments or agencies of the Federal Government.

Non-DoD agency means any department or agency of the Federal Government other than DoD.

Non-DoD agency that is an element of the intelligence community means the Office of the Director of National Intelligence; the Central Intelligence Agency; the intelligence elements of the Federal Bureau of Investigation; the intelligence elements of the Department of Energy; the Bureau of Intelligence and Research of the Department of State; the Office of Intelligence and Analysis of the Department of the Treasury; and the elements of the Department of Homeland Security.
concerned with the analysis of intelligence information, including the Office of Intelligence of the Coast Guard.

[74 FR 34270, July 15, 2009, as amended at 75 FR 6820, Feb. 11, 2010; 75 FR 32640, June 8, 2010]

217.7802 Policy.

(a) A DoD acquisition official may place an order, make a purchase, or otherwise acquire supplies or services for DoD in excess of the simplified acquisition threshold through a non-DoD agency in any fiscal year only if the head of the non-DoD agency has certified that the non-DoD agency will comply with defense procurement requirements for the fiscal year to include applicable DoD financial management regulations.

(1) This limitation shall not apply to the acquisition of supplies and services during any fiscal year for which there is in effect a written determination of the Under Secretary of Defense for Acquisition, Technology, and Logistics, that it is necessary in the interest of DoD to acquire supplies and services through the non-DoD agency during the fiscal year. A written determination with respect to a non-DoD agency shall apply to any category of acquisitions through the non-DoD agency that is specified in the determination.

(2) Non-DoD agency certifications and additional information are available at http://www.acq.osd.mil/dpap/cpic/cp/interagency_acquisition.html.

(3) The limitation in paragraph (a) of this section does not apply to contracts entered into by a non-DoD agency that is an element of the intelligence community for the performance of a joint program conducted to meet the needs of DoD and the non-DoD agency.

(b) Departments and agencies shall establish and maintain procedures for reviewing and approving orders placed for supplies and services under non-DoD contracts, whether through direct acquisition or assisted acquisition, when the amount of the order exceeds the simplified acquisition threshold. These procedures shall include—

(1) Evaluating whether using a non-DoD contract for the acquisition is in the best interest of DoD. Factors to be considered include—

(i) Satisfying customer requirements;

(ii) Schedule;

(iii) Cost effectiveness (taking into account discounts and fees); and

(iv) Contract administration (including oversight);

(2) Determining that the tasks to be accomplished or supplies to be provided are within the scope of the contract to be used;

(3) Reviewing funding to ensure that it is used in accordance with appropriation limitations;

(4) Providing unique terms, conditions, and requirements to the assisting agency for incorporation into the order or contract as appropriate to comply with all applicable DoD-unique statutes, regulations, directives, and other requirements; and

(5) Collecting and reporting data on the use of assisted acquisition for analysis. Follow the reporting requirements in Subpart 204.6.

[74 FR 34270, July 15, 2009, as amended at 75 FR 6820, Feb. 11, 2010; 75 FR 32640, June 8, 2010]

PART 218—EMERGENCY ACQUISITIONS

Subpart 218.1—Available Acquisition Flexibilities

Sec. 218.170 Additional acquisition flexibilities.

Subpart 218.2—Emergency Acquisition Flexibilities

218.201 Contingency operation.

218.202 Defense or recovery from certain attacks.

218.203 Incidents of national significance, emergency declaration, or major disaster declaration.

218.270 Humanitarian or peacekeeping operation.

218.271 Head of contracting activity determinations.


SOURCE: 72 FR 2632, Jan. 22, 2007, unless otherwise noted.

121
Additional acquisition flexibilities available to DoD are as follows:

(a) Circumstances permitting other than full and open competition. Use of the authority at FAR 6.302-2. Unusual and compelling urgency, may be appropriate under certain circumstances. See PGI 206.302-2.

(b) Use of advance Military Interdepartmental Purchase Request (MIPR). For urgent requirements, the advance MIPR may be transmitted electronically. See PGI 208.7004-3.

(c) Use of the Governmentwide commercial purchase card. Governmentwide commercial purchase cards do not have to be used for purchases valued at or below the micro-purchase threshold if the place of performance is entirely outside the United States. See 213.270(c)(1).

(d) Master agreement for repair and alteration of vessels. The contracting officer, without soliciting offers, may issue a written job order for emergency work to a contractor that has previously executed a master agreement, when delay would endanger a vessel, its cargo or stores, or when military necessity requires immediate work on a vessel. See 217.7103-4, 252.217-7010, and PGI 217.7103-4.

(e) Spare parts breakout program. An urgent immediate buy need not be delayed if an evaluation of the additional information cannot be completed in time to meet the required delivery date. See PGI 217.7506, paragraph 1-105(e).

(f) Storage and disposal of toxic and hazardous materials. Under certain emergency situations, exceptions apply with regard to the prohibition on storage or disposal of non-DoD-owned toxic or hazardous materials on DoD installations. See 223.7102(a)(3) and (7).

(g) Authorization Acts, Appropriations Acts, and other statutory restrictions on foreign acquisition. Acquisitions in the following categories are not subject to the restrictions of 225.7002, Restrictions on food, clothing, fabrics, specialty metals, and hand or measuring tools:

(1) Acquisitions at or below the simplified acquisition threshold; (2) Acquisitions outside the United States in support of combat operations; (3) Acquisitions of perishable foods by or for activities located outside the United States for personnel of those activities; (4) Acquisitions of food, specialty metals, or hand or measuring tools in support of contingency operations, or for which the use of other than competitive procedures has been approved on the basis of unusual and compelling urgency in accordance with FAR 6.302-2; (5) Emergency acquisitions by activities located outside the United States for personnel of those activities; and (6) Acquisitions by vessels in foreign waters. See 225.7002-2.

(h) Rights in technical data. The agency head may notify a person asserting a restriction that urgent or compelling circumstances (e.g., emergency repair or overhaul) do not permit the Government to continue to respect the asserted restriction. See 227.7102-2; 227.7103-5; 227.7103-13; 227.7104; 227.7203-13; 252.227-7013; 252.227-7014; 252.227-7015; 252.227-7018; and 252.227-7037.

(i) Tax exemption in Spain. If copies of a contract are not available and duty-free import of equipment or materials is urgent, the contracting officer may send the Joint United States Military Group copies of the Letter of Intent or a similar document indicating the pending award. See PGI 229.7001.

(j) Electronic submission and processing of payment requests. Contractors do not have to submit payment requests in electronic form for awards made to foreign vendors for work performed outside the United States or for purchases to support unusual or compelling needs of the type described in FAR 6.302-2. See 232.7002(a)(2) and (5).

(k) Mortuary services. In an epidemic or other emergency, the contracting activity may obtain services beyond the capacity of the contractor's facilities from other sources. See 237.7003(b) and 252.237-7003.
Subpart 218.2—Emergency Acquisition Flexibilities

218.201 Contingency operation.

(1) Selection, appointment, and termination of appointment. Contracting officer qualification requirements pertaining to a baccalaureate degree and 24 semester hours of business related courses do not apply to DoD employees or members of the armed forces who are in a contingency contracting force. See 201.603–2(2).

(2) Policy for unique item identification. Contractors will not be required to provide DoD unique item identification if the items, as determined by the head of the agency, are to be used to support a contingency operation. See 211.274–2(b).

(3) Use of the Governmentwide commercial purchase card. Governmentwide commercial purchase cards do not have to be used for purchases valued at or below the micro-purchase threshold if the purchase or payment is for an overseas transaction by a contracting officer in support of a contingency operation, or for training exercises in preparation for overseas contingency, humanitarian, or peacekeeping operations. See 213.270(c)(3) and (5).

(4) Governmentwide commercial purchase card. A contracting office supporting a contingency operation or a humanitarian or peacekeeping operation may use the Governmentwide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does not exceed the simplified acquisition threshold if certain conditions are met. See 213.301(3).

(5) Imprest funds and third party drafts. Imprest funds are authorized for use without further approval for overseas transactions at or below the micro-purchase threshold in support of a contingency operation or a humanitarian or peacekeeping operation. See 213.305–3(d)(iii)(A).

(6) Standard Form (SF) 44, Purchase Order-Invoice-Voucher. SF 44s may be used for purchases not exceeding the simplified acquisition threshold for overseas transactions by contracting officers in support of a contingency operation or a humanitarian or peacekeeping operation. See 213.306(a)(1)(B).

(7) Undefined contract actions. The head of the agency may waive certain limitations for undefined contract actions if the head of the agency determines that the waiver is necessary to support a contingency operation or a humanitarian or peacekeeping operation. See 217.7404–3(b).

(8) Prohibited sources. DoD personnel are authorized to make emergency acquisitions in direct support of U.S. or allied forces deployed in military contingency, humanitarian, or peacekeeping operations in a country or region subject to economic sanctions administered by the Department of the Treasury, Office of Foreign Assets Control. See 225.701–70.

(9) Authorization Acts, Appropriations Acts, and other statutory restrictions on foreign acquisition. Acquisitions in the following categories are not subject to the restrictions of 225.7002. Restrictions on food, clothing, fabrics, specialty metals, and hand or measuring tools:

(1) Acquisitions at or below the simplified acquisition threshold;
(2) Acquisitions outside the United States in support of combat operations;
(3) Acquisitions of perishable foods by or for activities located outside the United States for personnel of those activities;
(4) Acquisitions of food, specialty metals, or hand or measuring tools in support of contingency operations, or for which the use of other than competitive procedures has been approved on the basis of unusual and compelling urgency in accordance with FAR 6.302–2;
(5) Emergency acquisitions by activities located outside the United States for personnel of those activities; and

(10) Electronic submission and processing of payment requests. Contractors do not have to submit payment requests in electronic form for contracts awarded by deployed contracting officers in the course of military operations, including contingency operations or humanitarian or peacekeeping operations. See 232.7002(a)(4).

218.202 Defense or recovery from certain attacks.

Policy for unique item identification. Contractors will not be required to provide DoD unique item identification if the items, as determined by the head of the agency, are to be used to facilitate
defense against or recovery from nuclear, biological, chemical, or radiological attack. See 211.274–2(b).

218.203 Incidents of national significance, emergency declaration, or major disaster declaration.

(1) Establishing or maintaining alternative sources. PGI contains a sample format for Determination and Findings citing the authority of FAR 6.202(a), regarding exclusion of a particular source in order to establish or maintain an alternative source or sources. Alternate 2 of the sample format addresses having a supplier available for furnishing supplies or services in case of a national emergency. See PGI 206.202.

(2) Electronic submission and processing of payment requests. Contractors do not have to submit payment requests in electronic form for contracts awarded by contracting officers in the conduct of emergency operations, such as responses to natural disasters or national or civil emergencies. See 232.7002(a)(4).

218.270 Humanitarian or peacekeeping operation.

The term “humanitarian or peacekeeping operation” is defined at FAR 2.101. In accordance with 10 U.S.C. 2302(7), when a humanitarian or peacekeeping operation is declared, the simplified acquisition threshold is raised to $300,000 for DoD purchases that are awarded and performed, or purchases that are made, outside the United States in support of that operation. See 202.101.

[76 FR 44281, July 25, 2011]

218.271 Head of contracting activity determinations.

For contract actions supporting contingency operations or facilitating defense against or recovery from nuclear, biological, chemical, or radiological attack, the term “head of the agency” is replaced with “head of the contracting activity,” as defined in FAR 2.101, in the following locations:

(a) FAR 2.101:

(1) Definition of “Micro-purchase threshold,” paragraph (3).

(2) Definition of “Simplified acquisition threshold.”

(b) FAR 12.102(f).

(c) FAR 13.201(g).

(d) FAR 13.500(e).

(e) FAR 18.2.

[74 FR 2407, Jan. 15, 2009. Redesignated at 76 FR 44281, July 25, 2011]
SUBCHAPTER D—SOCIOECONOMIC PROGRAMS

PART 219—SMALL BUSINESS PROGRAMS

Sec.
219.000 Scope of part.
219.001 Definitions.

Subpart 219.2—Policies
219.201 General policy.
219.202 Specific policies.
219.202–5 Data collection and reporting requirements.

Subpart 219.3 Determination of Small Business Status for Small Business Programs
219.303 Determining North American Industry Classification System (NAICS) codes and size standards.

Subpart 219.4—Cooperation With the Small Business Administration
219.401 General.

Subpart 219.5—Set-Asides for Small Business
219.502 Setting aside acquisitions.
219.502–1 Requirements for setting aside acquisitions.
219.502–2 Total set-asides.
219.505 Rejecting Small Business Administration recommendations.

Subpart 219.6—Certificates of Competency and Determinations of Responsibility
219.602 Procedures.

Subpart 219.7—The Small Business Subcontracting Program
219.702 Statutory requirements.
219.703 Eligibility requirements for participating in the program.
219.704 Subcontracting plan requirements.
219.705 Responsibilities of the contracting officer under the subcontracting assistance program.
219.705–4 Reviewing the subcontracting plan.
219.706 Responsibilities of the cognizant administrative contracting officer.
219.708 Contract clauses.

Subpart 219.8—Contracting With the Small Business Administration (The 8(a) Program)
219.800 General.
219.803 Selecting acquisitions for the 8(a) Program.
219.804 Evaluation, offering, and acceptance.
219.804–1 Agency evaluation.
219.805 Competitive 8(a).
219.805–1 General.
219.805–2 Procedures.
219.806 Pricing the 8(a) contract.
219.808 Contract negotiations.
219.808–1 Sole source.
219.811 Preparing the contracts.
219.811–3 Contract clauses.

Subpart 219.12—Small Disadvantaged Business Participation Program
219.1203 Incentive subcontracting with small disadvantaged business concerns.
219.1204 Solicitation provisions and contract clauses.

Subpart 219.13—Historically Underutilized Business Zone (HUBZone) Program
219.1307 Price evaluation preference for HUBZone small business concerns.

Subpart 219.70 (Reserved)

Subpart 219.71—Pilot Mentor-Protege Program
219.7100 Scope.
219.7101 Policy.
219.7102 General.
219.7103 Procedures.
219.7103–1 General.
219.7103–2 Contracting officer responsibilities.
219.7104 Developmental assistance costs eligible for reimbursement or credit.
219.7105 Reporting.
219.7106 Performance reviews.


SOURCE: 56 FR 36353, July 31, 1991, unless otherwise noted.

219.000 Scope of part.

This part also implements 10 U.S.C. 2323, which—
(1) Is applicable to DoD through fiscal year 2009; and
(2) Establishes goals for awards to small disadvantaged business (SDB) concerns, historically black colleges and universities (HBCUs), and minority
219.001 Definitions.

Small disadvantaged business concern is defined:

(1) At FAR 52.219-23(a) (i.e., a firm is considered a small disadvantaged business (SDB) concern by receiving certification by the Small Business Administration and meeting the other listed criteria), except as specified in paragraph (2) of this definition.

(2) At FAR 52.219-23(a) or 52.219-1(b)(2) for the following purposes (i.e., a firm is considered an SDB concern by either receiving certification by the Small Business Administration and meeting the other listed criteria or self-representing its status for general statistical purposes):

(i) A higher customary progress payment rate for SDB concerns (see 232.501-1(a)(i) and 252.232-7004(c)).

(ii) A lower threshold for inclusion of customary progress payments in contracts with SDB concerns (see 232.502-1).

(iii) The prompt payment policy for SDB concerns in 232.903 and 232.905(2).

(iv) Reporting contract actions with SDB concerns in the Federal Procurement Data System (FPDS).

Subpart 219.2—Policies

219.201 General policy.

(d) For the defense agencies, the director of the Office of Small Business Programs must be appointed by, be responsible to, and report directly to the director or deputy director of the defense agency.

(8) The responsibility for assigning small business technical advisors is delegated to the head of the contracting activity.

(10) Contracting activity small business specialists perform this function by—

(A) Reviewing and making recommendations for all acquisitions (including orders placed against Federal Supply Schedule contracts) over $10,000, except those under the simplifed acquisition threshold that are totally set aside for small business concerns in accordance with FAR 19.502-2. Follow the procedures at PGI 219.201(d)(10) regarding such reviews.

(B) Making the review before issuance of the solicitation or contract modification and documenting it on DD Form 2579, Small Business Coordination Record; and

(C) Referring recommendations that have been rejected by the contracting officer to the Small Business Administration (SBA) procurement center representative. If an SBA procurement center representative is not assigned, see FAR 19.402(a).

(e) Also conduct annual reviews to assess—

(A) The extent of consolidation of contract requirements that has occurred (see 207.170); and

(B) The impact of those consolidations on the availability of small business concerns to participate in procurements as both contractors and subcontractors.

(e) For information on the appointment and functions of small business specialists, see PGI 219.201(e).

(f) The Directors, Office of Small Business Programs, of the military departments and defense agencies are responsible for determining whether use of the price evaluation adjustment to achieve a small disadvantaged business goal has caused non-SDB firms in a particular North American Industry Classification System Industry Subsector to bear an undue burden or other inappropriate effect. A copy of each determination shall be forwarded to the Office of Small Business Programs, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), simultaneously with submittal to the Office of Federal Procurement Policy.
Determine the premium percentage to be entered in the Federal Procurement Data System (FPDS) as follows:

(1) For small disadvantaged business or historically black college and university/minority institution set-asides, divide the difference between the fair market price and the award price by the fair market price.

(2) For price evaluation adjustment awards (see FAR Subpart 19.11), divide the difference between the low responsive offer and the award price by the low responsive offer.

(3) For partial small business set-asides with preferential consideration for small disadvantaged business concerns, divide the difference between the award price on the non-set-aside portion and the award price on the set-aside portion by the award price on the non-set-aside portion.

(b) Within 60 days after the end of each fiscal year, departments and agencies shall submit the report to the Secretary of Defense, who will report to the SBA on behalf of all DoD departments and agencies. Reports must include—

(i) Justification for failure to meet goals established by the Office of the Secretary of Defense; and

(ii) Planned actions for increasing participation by such firms in future contract awards.

Subpart 219.3 Determination of Small Business Status for Small Business Programs

219.303 Determining North American Industry Classification System (NAICS) codes and size standards.

Contracting officers shall follow the procedures for “Correctly Identifying Size Status of Contractors” in the OUSD (AT&L) DPAP memorandum dated July 21, 2010.
219.505 Rejecting Small Business Administration recommendations.
(b) The designee shall be at a level no lower than chief of the contracting office.

Subpart 219.6—Certificates of Competency and Determinations of Responsibility

219.602 Procedures.
When making a nonresponsibility determination for a small business concern, follow the procedures at PGI 219.602.

[72 FR 20762, Apr. 26, 2007]

Subpart 219.7—The Small Business Subcontracting Program

219.702 Statutory requirements.
(1) Section 834 of Public Law 101–189, as amended (15 U.S.C. 637 note), requires DoD to establish a test program to determine whether comprehensive subcontracting plans on a corporate, division, or plant-wide basis will reduce administrative burdens while enhancing subcontracting opportunities for small and small disadvantaged business concerns. See PGI 219.702 for the requirements of the test program.
(2) Comprehensive subcontracting plans shall not be subject to application of liquidated damages during the period of the test program (Section 402, Pub. L. 101–189).

[72 FR 20762, Apr. 26, 2007]

219.703 Eligibility requirements for participating in the program.
(a) Qualified nonprofit agencies for the blind and other severely disabled, that have been approved by the Committee for Purchase from People Who Are Blind or Severely Disabled under the Javits-Wagner-O’Day Act (41 U.S.C. 8502–8504), are eligible to participate in the program as a result of 10 U.S.C. 2410d and section 9077 of Pub. L. 102–357 and similar sections in subsequent Defense appropriations acts. Under this authority, subcontracts awarded to such entities may be counted toward the prime contractor’s small business subcontracting goal.

(2)(A) To be eligible as an SDB subcontractor, a concern must meet the definition in 219.001.
(B) To be eligible as a historically black college or university or minority institution subcontractor, such entity must meet the definition in the clause at 252.219-7003, Small Business Subcontracting Plan (DoD Contracts).
(b) A contractor may also rely on the written representation as to status of—
(1) A historically black college or university or minority institution; or
(2)(A) A qualified nonprofit agency for the blind or other severely disabled approved by the Committee for Purchase from People Who Are Blind or Severely Disabled.


219.704 Subcontracting plan requirements.
(1) The goal for use of small disadvantaged business concerns shall include subcontracts with historically black colleges and universities and minority institutions (see Subpart 226.70), in addition to subcontracts with small disadvantaged business concerns. Subcontracts with historically black colleges and universities and minority institutions do not have to be included in the small disadvantaged business goal in commercial items subcontracting plans.
(2) In those subcontracting plans which specifically identify small businesses, prime contractors shall notify the administrative contracting officer of any substitutions of firms that are not small business firms, for the small business firms specifically identified in the subcontracting plan. Notifications shall be in writing and shall occur within a reasonable period of time after award of the subcontract. Contractor-specified formats shall be acceptable.
(3) See 215.304 for evaluation of offers in acquisitions that require a subcontracting plan.

[72 FR 20762, Apr. 26, 2007]
219.705 Responsibilities of the contracting officer under the subcontracting assistance program.

219.705-4 Reviewing the subcontracting plan.

(d) Challenge any subcontracting plan that does not contain positive goals and consider the extent to which an offeror plans to use competition restricted to historically black colleges and universities or minority institutions. A small disadvantaged business goal of less than five percent must be approved one level above the contracting officer.


219.706 Responsibilities of the cognizant administrative contracting officer.

(a)(i) The contract administration office also is responsible for reviewing, evaluating, and approving master subcontracting plans.

(ii) The small business specialist supports the administrative contracting officer in evaluating a contractor’s performance and compliance with its subcontracting plan.

219.708 Contract clauses.

(b)(1)(A) Use the clause at 252.219–7003, Small Business Subcontracting Plan (DoD Contracts).

(1) In solicitations and contracts that contain the clause at FAR 52.219–9, Small Business Subcontracting Plan.

(2) With its Alternate I in contracts that use Alternate III of 52.219–9, Small Business Subcontracting Plan.

(b) In contracts with contractors that have comprehensive subcontracting plans approved under the test program described in 219.702, use the clause at 252.219–7004, Small Business Subcontracting Plan (Test Program), instead of the clauses at 252.219–9, Small Business Subcontracting Plan. Include —

(1) FAR clause 52.219–9, Small Business Subcontracting Plan and 252.219–7003 in the contract for purposes of the contractor flowing these clauses down to subcontractors, except

Subpart 219.8—Contracting With the Small Business Administration (The 8(a) Program)

219.800 General.

(a) By Partnership Agreement (PA) between the Small Business Administration (SBA) and the Department of Defense (DoD), the SBA has delegated to the Under Secretary of Defense (Acquisition, Technology, and Logistics) its authority under paragraph 8(a)(1)(A) of the Small Business Act (15 U.S.C. 637(a)) to enter into 8(a) prime contracts, and its authority under paragraph 8(a)(1)(B) of the Small Business Act to award the performance of those contracts to eligible 8(a) Program participants. However, the SBA remains the prime contractor on all 8(a) contracts, continues to determine eligibility of concerns for contract award, and retains appeal rights under FAR 19.810.

The SBA delegates only the authority to sign contracts on its behalf. Consistent with the provisions of the PA, this authority is hereby redelegated to DoD contracting officers. A copy of the PA, which includes the PA’s expiration date, is available at PGI 219.800.

(b) Contracts awarded under the PA may be awarded directly to the 8(a) participant on either a sole source or competitive basis. An SBA signature on the contract is not required.

(c) Notwithstanding the PA, the contracting officer may elect to award a
contract pursuant to the provisions of FAR Subpart 19.8.


219.803 Selecting acquisitions for the 8(a) Program.

When selecting acquisitions for the 8(a) Program, follow the procedures at PGI 219.803.

[72 FR 20762, Apr. 26, 2007]

219.804 Evaluation, offering, and acceptance.

When processing requirements under the PA, follow the procedures at PGI 219.804.

[72 FR 20762, Apr. 26, 2007]

219.804–1 Agency evaluation.

(f) The 8(a) firms should be offered the opportunity to give a technical presentation.

[63 FR 41974, Aug. 6, 1998]

219.805 Competitive 8(a).

219.805–1 General.

(b)(2)(A) For acquisitions that exceed the competitive threshold, the SBA also may accept the requirement for a sole source 8(a) award on behalf of a small business concern owned by a Native Hawaiian Organization (Section 8020 of Pub. L. 109–148).

(B) Native Hawaiian Organization, as used in this subsection and as defined by 15 U.S.C. 637(a)(15) and 13 CFR 124.3, means any community service organization serving Native Hawaiians in the State of Hawaii—

(1) That is a not-for-profit organization chartered by the State of Hawaii; 
(2) That is controlled by Native Hawaiians; and
(3) Whose business activities will principally benefit such Native Hawaiians.

[70 FR 43073, July 26, 2005, as amended at 71 FR 34832, June 16, 2006]

219.805–2 Procedures.

When processing requirements under the PA, follow the procedures at PGI 219.805–2 for requesting eligibility determinations.

[72 FR 20762, Apr. 26, 2007]

219.806 Pricing the 8(a) contract.

For requirements processed under the PA cited in 219.800—

(1) The contracting officer shall obtain cost or pricing data from the 8(a) contractor, if required by FAR subpart 15.4; and

(2) SBA concurrence in the negotiated price is not required. However, except for purchase orders not exceeding the simplified acquisition threshold, the contracting officer shall notify the SBA prior to withdrawing a requirement from the 8(a) Program due to failure to agree on price or other terms and conditions.


219.808 Contract negotiations.

219.808–1 Sole source.

For sole source requirements processed under the PA, follow the procedures at PGI 219.808–1.

[72 FR 20762, Apr. 26, 2007]

219.811 Preparing the contracts.

219.811–3 Contract clauses.

(1) Use the clause at 252.219–7009, Section 8(a) Direct Award, instead of the clauses at FAR 52.219–11, Special 8(a) Contract Conditions, FAR 52.219–12, Special 8(a) Subcontract Conditions, and FAR 52.219–17, Section 8(a) Award, in solicitations and contracts processed in accordance with the PA cited in 219.800.

(2) Use the clause at FAR 52.219–18, Notification of Competition Limited to Eligible 8(a) Concerns, with 252.219–7010, Alternate A, in solicitations and contracts processed in accordance with the PA cited in 219.800.

(3) Use the clause at 252.219–7011, Notification to Delay Performance, in solicitations and purchase orders issued under the PA cited in 219.800.

Defense Acquisition Regulations System, DOD

Subpart 219.12—Small Disadvantaged Business Participation Program

Source: 63 FR 64429, Nov. 20, 1998, unless otherwise noted.

219.1203 Incentive subcontracting with small disadvantaged business concerns.

The contracting officer shall encourage increased subcontracting opportunities for SDB concerns in negotiated acquisitions by providing monetary incentives in the North American Industry Classification System Industry Subsectors for which use of an evaluation factor or subfactor for participation of SDB concerns is currently authorized (see FAR 19.201(b)). Incentives for exceeding SDB subcontracting targets shall be paid only if an SDB subcontracting target was exceeded as a result of actual subcontract awards to SDBs, and not a result of developmental assistance credit under the Pilot Mentor-Protege Program (see Subpart 219.71).


219.1204 Solicitation provisions and contract clauses.

(c) The contracting officer shall, when contracting by negotiation, insert in solicitations and contracts containing the clause at FAR 52.219-25, Small Disadvantaged Business Participation Program-Disadvantaged Status and Reporting, a clause substantially the same as the clause at FAR 52.219-26, Small Disadvantaged Business Participation Program-Incentive Subcontracting, when authorized (see FAR 19.1203). The contracting officer may include an award fee provision in lieu of the incentive; in such cases, however, the contracting officer shall not use the clause at FAR 52.219-26. Do not use award fee provisions in contracts with contractors that have comprehensive subcontracting plans approved under the test program described in 219.702.


Subpart 219.13—Historically Underutilized Business Zone (HUBZone) Program

219.1307 Price evaluation preference for HUBZone small business concerns.

(a) Also, do not use the price evaluation preference in acquisitions that use tiered evaluation of offers, until a tier is reached that considers offers from other than small business concerns.

[71 FR 53043, Sept. 8, 2006]

Subpart 219.70 [Reserved]

Subpart 219.71—Pilot Mentor-Protege Program

Source: 65 FR 6555, Feb. 10, 2000, unless otherwise noted.

219.7100 Scope.

This subpart implements the Pilot Mentor-Protege Program (hereafter referred to as the “Program”) established under Section 831 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101–510; 10 U.S.C. 2302 note). The purpose of the Program is to provide incentives for DoD contractors to assist protege firms in enhancing their capabilities and to increase participation of such firms in Government and commercial contracts.


219.7101 Policy.

DoD policy and procedures for implementation of the Program are contained in Appendix I, Policy and Procedures for the DoD Pilot Mentor-Protege Program.

219.7102 General.

The Program includes—

(a) Mentor firms that are prime contractors with at least one active subcontracting plan negotiated under FAR Subpart 19.7 or under the DoD Comprehensive Subcontracting Test Program.

(b) Protege firms that are—

(1)(i) small disadvantaged business concerns as defined at 219.001(1);
(ii) Business entities owned and controlled by an Indian tribe;
(iii) business entities owned and controlled by a Native Hawaiian Organization;
(iv) Qualified organizations employing the severely disabled;
(v) Women-owned small business concerns;
(vi) Service-disabled veteran-owned small business concerns; or
(vii) HUBZone small business concerns;
(2) Eligible for receipt of Federal contracts; and
(3) Selected by the mentor firm.
(c) Mentor-protege agreements that establish a developmental assistance program for a protege firm.
(d) Incentives that DoD may provide to mentor firms, including—
(1) Reimbursement for developmental assistance costs through—
(i) A separately priced contract line item on a DoD contract; or
(ii) A separate contract, upon written determination by the cognizant Component Director, Small Business Programs (SBP), that unusual circumstances justify reimbursement using a separate contract; or
(2) Credit toward applicable subcontracting goals, established under a subcontracting plan negotiated under FAR Subpart 19.7 or under the DoD Comprehensive Subcontracting Test Program, for developmental assistance costs that are not reimbursed.

219.7103–2 Contracting officer responsibilities.
Contracting officers must—
(a) Negotiate an advance agreement on the treatment of developmental assistance costs for either credit or reimbursement if the mentor firm proposes such an agreement, or delegate authority to negotiate to the administrative contracting officer (see FAR 31.109);
(b) Modify (without consideration) applicable contract(s) to incorporate the clause at 252.232-7005, Reimbursement of Subcontractor Advance Payments—DoD Pilot Mentor-Protege Program, when a mentor firm provides advance payments to a protege firm under the Program and the mentor firm requests reimbursement of advance payments.
(c) Modify (without consideration) applicable contract(s) to incorporate other than customary progress payments for protege firms in accordance with FAR 32.504(c) if a mentor firm provides such payments to a protege firm and the mentor firm requests reimbursement.
(d) Modify applicable contract(s) to establish a contract line item for reimbursement of developmental assistance costs if—
(1) A DoD program manager or the cognizant Component Director, SBP, has made funds available for that purpose; and
(2) The contractor has an approved mentor-protégé agreement.
(e) Negotiate and award a separate contract for reimbursement of developmental assistance costs only if—
(1) Funds are available for that purpose;
(2) The contractor has an approved mentor-protégé agreement; and
(3) The cognizant Component Director, SBP, has made a determination in accordance with 219.7102(d)(1)(ii).
(f) Not authorize reimbursement for costs of assistance furnished to a protégé firm in excess of $1,000,000 in a fiscal year unless a written determination from the cognizant Component Director, SBP, is obtained.

219.7103 Procedures.

219.7103–1 General.
The procedures for application, acceptance, and participation in the Program are in Appendix I, Policy and Procedures for the DoD Pilot Mentor-Protege Program. The Director, SBP, of each military department or defense agency has the authority to approve contractors as mentor firms, approve mentor-protégé agreements, and forward approved mentor-protégé agreements to the contracting officer when funding is available.
[69 FR 74995, Dec. 15, 2004, as amended by 73 FR 46813, Aug. 12, 2008]
(g) Advise contractors of reporting requirements in Appendix I.
(h) Provide a copy of the approved Mentor-Protege agreement to the Defense Contract Management Agency administrative contracting officer responsible for conducting the annual performance review (see appendix I, section I–113).


219.7104 Developmental assistance costs eligible for reimbursement or credit.

(a) Developmental assistance provided under an approved mentor-protege agreement is distinct from, and must not duplicate, any effort that is the normal and expected product of the award and administration of the mentor firm’s subcontracts. The mentor firm must accumulate and charge costs associated with the latter in accordance with its approved accounting practices. Mentor firm costs that are eligible for reimbursement are set forth in appendix I.

(b) Before incurring any costs under the Program, mentor firms must establish the accounting treatment of developmental assistance costs eligible for reimbursement or credit. Advance agreements are encouraged. To be eligible for reimbursement under the Program, the mentor firm must incur the costs before October 1, 2013.

(c) If the mentor firm is suspended or debarred while performing under an approved mentor-protege agreement, the mentor firm may not be reimbursed or credited for developmental assistance costs incurred more than 30 days after the imposition of the suspension or debarment.

(d) Developmental assistance costs incurred by a mentor firm before October 1, 2013, that are eligible for crediting under the Program, may be credited toward subcontracting plan goals as set forth in appendix I.


219.7105 Reporting.

Mentor and protege firms must report on the progress made under mentor-protege agreements as indicated in appendix I, section I–112.


219.7106 Performance reviews.

The Defense Contract Management Agency will conduct annual performance reviews of all mentor-protege agreements as indicated in appendix I, section I–113. The determinations made in these reviews should be a major factor in determinations of amounts of reimbursement, if any, that the mentor firm is eligible to receive in the remaining years of the Program participation term under the agreement.

222.001 Definitions.

222.401 Davis-Bacon Act wage determinations.
222.401–2 General requirements.
222.406 Administration and enforcement.
222.406–1 Policy.
222.406–4 Payrolls and statements.
222.406–8 Investigations.
222.406–9 Withholding from or suspension of contract payments.
222.406–10 Disposition of disputes concerning construction contract labor standards enforcement.
222.406–13 Semiannual enforcement reports.

Subpart 222.6—Walsh-Healey Public Contracts Act
222.604 Exemptions.
222.604–2 Regulatory exemptions.

Subpart 222.8—Equal Employment Opportunity
222.806 Inquiries.
222.807 Exemptions.

Subpart 222.10—Service Contract Act of 1965, as Amended
222.1003 Applicability.
222.1003–1 General.
222.1008 Procedures for obtaining wage determinations.
222.1008–1 Obtaining wage determinations.

Subpart 222.13—Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans
222.1305 Waivers.
222.1308 Complaint procedures.
222.1310 Solicitation provision and contract clauses.

Subpart 222.14—Employment of the Handicapped
222.1403 Waivers.
222.1406 Complaint procedures.

Subpart 222.17—Combating Trafficking in Persons
222.1703 Policy.
222.1704 Violations and remedies.

Subpart 222.70—Restrictions on the Employment of Personnel for Work on Construction and Service Contracts in Noncontiguous States
222.7000 Scope of subpart.
222.7001 Definition.
222.7002 General.
222.7003 Waivers.
222.7004 Contract clause.

48 CFR Ch. 2 (10–1–11 Edition)

Subpart 222.71—Right of First Refusal of Employment
222.7101 Policy.
222.7102 Contract clause.

Subpart 222.72—Compliance with Labor Laws of Foreign Governments
222.7201 Contract clauses.

Subpart 222.73—Limitations Applicable to Contracts Performed on Guam
222.7300 Scope of subpart.
222.7301 Prohibition on use of nonimmigrant aliens.
222.7302 Contract clause.

Subpart 222.74—Restrictions on the Use of Mandatory Arbitration Agreements
222.7400 Scope of subpart.
222.7401 Definition.
222.7402 Policy.
222.7403 Applicability.
222.7404 Waiver.
222.7405 Contract clause.


Source: 56 FR 36358, July 31, 1991, unless otherwise noted.

222.001 Definitions.

Labor advisor, as used in this part, means the departmental or agency headquarters labor advisor.


Subpart 222.1—Basic Labor Policies

222.101 Labor relations.

222.101–1 General.

Follow the procedures at PGI 222.101–1 for referral of labor relations matters to the appropriate authorities.

[71 FR 18670, Apr. 12, 2006]

222.101–3 Reporting labor disputes.

Follow the procedures at PGI 222.101–3 for reporting labor disputes.

[71 FR 18670, Apr. 12, 2006]

222.101–3–70 Impact of labor disputes on defense programs.

(a) Each department and agency shall determine the degree of impact of potential or actual labor disputes on its
own programs and requirements. For guidance on determining the degree of impact, see PGI 222.101–3–70(a).

(b) Each contracting activity shall obtain and develop data reflecting the impact of a labor dispute on its requirements and programs. Upon determining that the impact of the labor dispute is significant, the head of the contracting activity shall submit a report of findings and recommendations to the labor advisor in accordance with departmental procedures. This reporting requirement is assigned Report Control Symbol DD-AT&L(AR)1153 and must include the information specified at PGI 222.101–3–70(b).

[71 FR 18670, Apr. 12, 2006]

222.101–4 Removal of items from contractors' facilities affected by work stoppages.

(a) When a contractor is unable to deliver urgent and critical items because of a work stoppage at its facility, the contracting officer, before removing any items from the facility, shall—

(i) Before initiating any action, contact the labor advisor to obtain the opinion of the national office of the Federal Mediation and Conciliation Service or other mediation agency regarding the effect movement of the items would have on labor negotiations. Normally removals will not be made if they will adversely affect labor negotiations.

(ii) Upon the recommendation of the labor advisor, provide a written request for removal of the material to the cognizant contract administration office. Include in the request the information specified at PGI 222.101–4(a)(ii).

(iii) With the assistance of the labor advisor or the commander of the contract administration office, attempt to have both the management and the labor representatives involved agree to shipment of the material by normal means.

(iv) If agreement for removal of the needed items cannot be reached following the procedures in paragraphs (a)(i) through (iii) of this subsection, the commander of the contract administration office, after obtaining approval from the labor advisor, may seek the concurrence of the parties to the dispute to permit movement of the material by military vehicles with military personnel. On receipt of such concurrences, the commander may proceed to make necessary arrangements to move the material.

(v) If agreement for removal of the needed items cannot be reached following any of the procedures in paragraphs (a)(i) through (iv) of this subsection, refer the matter to the labor advisor with the information required by 222.101–3–70(b). If the labor advisor is unsuccessful in obtaining concurrence of the parties for the movement of the material and further action to obtain the material is deemed necessary, refer the matter to the agency head. Upon review and verification that the items are urgently or critically needed and cannot be moved with the consent of the parties, the agency head, on a non-delegable basis, may order removal of the items from the facility.

[56 FR 36358, July 31, 1991, as amended at 71 FR 18670, Apr. 12, 2006]

222.101–70 Acquisition of stevedoring services during labor disputes.

(a) Use the following procedures only in the order listed when a labor dispute delays performance of a contract for stevedoring services which are urgently needed.

1. Attempt to have management and labor voluntarily agree to exempt military supplies from the labor dispute by continuing the movement of such material.

2. Divert vessels to alternate ports able to provide necessary stevedoring services.

3. Consider contracting with reliable alternative sources of supply within the stevedoring industry.

4. Utilize civil service stevedores to perform the work performed by contract stevedores.

5. Utilize military personnel to handle the cargo which was being handled by contract stevedores prior to the labor dispute.

(b) Notify the labor advisor when a deviation from the procedures in paragraph (a) of this subsection is required.
222.102 Federal and State labor requirements.

222.102–1 Policy.

(1) Direct all inquiries from contractors or contractor employees regarding the applicability or interpretation of Occupational Safety and Health Act (OSHA) regulations to the Department of Labor.

(2) Upon request, provide the address of the appropriate field office of the Occupational Safety and Health Administration of the Department of Labor.

(3) Do not initiate any application for the suspension or relaxation of labor requirements without prior coordination with the labor advisor. Any requests for variances or alternative means of compliance with OSHA requirements must be approved by the Occupational Safety and Health Administration of the Department of Labor.

[71 FR 18670, Apr. 12, 2006]

222.103 Overtime.

222.103–4 Approvals.

(a) The department/agency approving official shall—

(i) Obtain the concurrence of other appropriate approving officials; and

(ii) Seek agreement as to the contracts under which overtime premiums will be approved when—

(A) Two or more contracting offices have current contracts at the same contractor facility; and

(B) The approval of overtime by one contracting office will affect the performance or cost of contracts of another office. In the absence of evidence to the contrary, a contracting officer may rely on a contractor’s statement that approval of overtime premium pay for one contract will not affect performance or payments under any other contract.

Subpart 222.3—Contract Work Hours and Safety Standards Act

222.302 Liquidated damages and overtime pay.

Upon receipt of notification of Contract Work Hours and Safety Standards Act violations, the contracting officer shall—

(1) Immediately withhold such funds as are available;

(2) Give the contractor written notification of the withholding and a statement of the basis for the liquidated damages assessment. The written notification shall also inform the contractor of its 60 days right to appeal the assessment, through the contracting officer, to the agency official responsible for acting on such appeals; and

(3) If funds available for withholding are insufficient to cover liquidated damages, ask the contractor to pay voluntarily such funds as are necessary to cover the total liquidated damage assessment.

(d)(i) The assessment shall become the final administrative determination of contractor liability for liquidated damages when—

(A) The contractor fails to appeal to the contracting agency within 60 days from the date of the withholding of funds;

(B) The department agency, following the contractor’s appeals, issues a final order which affirms the assessment of liquidated damages or waives damages of $500 or less; or

(C) The Secretary of Labor takes final action on a recommendation of the agency head to waive or adjust liquidated damages in excess of $500.

(ii) Upon final administrative determination of the contractor’s liability for liquidated damages, the contracting officer shall transmit withheld or collected funds determined to be owed the Government as liquidated damages to the servicing finance and accounting officer for crediting to the appropriate Government Treasury account. The contracting officer shall return any excess withheld funds to the contractor.
Defence Acquisition Regulations System, DOD

Subpart 222.4—Labor Standards for Contracts Involving Construction

222.402 Applicability.

222.402–70 Installation support contracts.

(a) Apply both the Service Contract Act (SCA) and the Davis-Bacon Act (DBA) to installation support contracts if—

(1) The contract is principally for services but also requires a substantial and segregable amount of construction, alteration, renovation, painting, or repair work; and

(2) The aggregate dollar value of such construction work exceeds or is expected to exceed $2,000.

(b) SCA coverage under the contract. Contract installation support requirements, such as plant operation and installation services (i.e., custodial, snow removal, etc.) are subject to the SCA. Apply SCA clauses and minimum wage and fringe benefit requirements to all contract service calls or orders for such maintenance and support work.

(c) DBA coverage under the contract. Contract construction, alteration, renovation, painting, and repair requirements (i.e., roof shingling, building structural repair, paving repairs, etc.) are subject to the DBA. Apply DBA clauses and minimum wage requirements to all contract service calls or orders for construction, alteration, renovation, painting, or repairs to buildings or other works.

(d) Repairs versus maintenance. Some contract work may be characterized as either DBA painting/repairs or SCA maintenance. For example, replacing broken windows, spot painting, or minor patching of a wall could be covered by either the DBA or the SCA. In those instances where a contract service call or order requires construction trade skills (i.e., carpenter, plumber, painter, etc.), but it is unclear whether the work required is SCA maintenance or DBA painting/repairs, apply the following rules—

(1) Individual service calls or orders which will require a total of 32 or more work-hours to perform shall be considered to be repair work subject to the DBA.

(2) Individual service calls or orders which will require less than 32 work-hours to perform shall be considered to be maintenance subject to the SCA.

(e) The determination of labor standards applicability shall be made at the time the solicitation is prepared in those cases where requirements can be identified. Otherwise, the determination shall be made at the time the service call or order is placed against the contract. The service call or order shall identify the labor standards law and contract wage determination which will apply to the work required.

(f) Contracting officers may not avoid application of the DBA by splitting individual tasks between orders or contracts.

222.403 Statutory and regulatory requirements.

222.403–4 Department of Labor regulations.

Direct all questions regarding Department of Labor regulations to the labor advisor.

222.404 Davis-Bacon Act wage determinations.

Not later than April 1 of each year, each department and agency shall furnish the Administrator, Wage and Hour Division, with a general outline of its proposed construction program for the coming fiscal year. The Department of Labor uses this information to determine where general wage determination surveys will be conducted.

(1) Indicate by individual project of $500,000 or more—

(i) The anticipated type of construction;

(ii) The estimated dollar value; and

(iii) The location in which the work is to be performed (city, town, village, county, or other civil subdivision of the state).

(2) The report format is contained in Department of Labor All Agency Memo 144, December 27, 1985.

(3) The report control number is 1671–DOL–AN.
222.404–2 General requirements.
(c)(5) Follow the procedures at PGI 222.404–2(c)(5) when seeking clarification of the proper application of construction wage rate schedules.

[72 FR 20764, Apr. 26, 2007]

222.406 Administration and enforcement.

222.406–1 Policy.
(a) General. The program shall also include—
(i) Training appropriate contract administration, labor relations, inspection, and other labor standards enforcement personnel in their responsibilities; and
(ii) Periodic review of field enforcement activities to ensure compliance with applicable regulations and instructions.

(b) Preconstruction letters and conferences. (1) Promptly after award of the contract, the contracting officer shall provide a preconstruction letter to the prime contractor. This letter should accomplish the following, as appropriate—
(A) Indicate that the labor standards requirements contained in the contract are based on the following statutes and regulations—
(1) Davis-Bacon Act;
(2) Contract Work Hours and Safety Standards Act;
(3) Copeland (Anti-Kickback) Act;
(4) Parts 3 and 5 of the Secretary of Labor’s Regulations (parts 3 and 5, subtitle A, title 29, CFR); and
(5) Executive Order 11246 (Equal Employment Opportunity);
(B) Call attention to the labor standards requirements in the contract which relate to—
(1) Employment of foremen, laborers, mechanics, and others;
(2) Wages and fringe benefits payments, payrolls, and statements;
(3) Differentiation between subcontractors and suppliers;
(4) Additional classifications;
(5) Benefits to be realized by contractors and subcontractors in keeping complete work records;
(6) Penalties and sanctions for violations of the labor standards provisions; and
(7) The applicable provisions of FAR 22.403; and
(C) Ensure that the contractor sends a copy of the preconstruction letter to each subcontractor.
(2) Before construction begins, the contracting officer shall confer with the prime contractor and any subcontractor designated by the prime to emphasize their labor standards obligations under the contract when—
(A) The prime contractor has not performed previous Government contracts;
(B) The prime contractor experienced difficulty in complying with labor standards requirements on previous contracts; or
(C) It is necessary to determine whether the contractor and its subcontractors intend to pay any required fringe benefits in the manner specified in the wage determination or to elect a different method of payment. If the latter, inform the contractor of the requirements of FAR 22.406–2.

222.406–6 Payrolls and statements.
(a) Submission. Contractors who do not use Department of Labor Form WH 347 or its equivalent must submit a DD Form 879, Statement of Compliance, with each payroll report.

222.406–8 Investigations.
(a) Before beginning an investigation, the investigator shall inform the contractor of the general scope of the investigation, and that the investigation will include examining pertinent records and interviewing employees. In conducting the investigation, follow the procedures at PGI 222.406–8(a).
(c) Contractor notification. (4)(A) Notify the contractor by certified mail of any finding that it is liable for liquidated damages under the Contract Work Hours and Safety Standards Act (CWHSSA). The notification shall inform the contractor that—
(1) It has 60 days after receipt of the notice to appeal the assessment of liquidated damages; and
(2) The appeal must demonstrate either that the alleged violations did not occur at all, occurred inadvertently notwithstanding the exercise of due care, or the assessment was computed improperly.
(B) If an appeal is received, the contracting officer shall process the appeal in accordance with department or agency regulations.

(d) Contracting officer's report. Forward a detailed enforcement report or summary report to the agency head in accordance with agency procedures. Include in the report, as a minimum, the information specified at PGI 222.406–8(d).

[56 FR 36358, July 31, 1991, as amended at 71 FR 18670, Apr. 12, 2006]

222.406–9 Withholding from or suspension of contract payments.

(a) Withholding from contract payments. The contracting officer shall contact the labor advisor for assistance when payments due a contractor are not available to satisfy that contractor's liability for Davis-Bacon or CWHSSA wage underpayments or liquidated damages.

(c) Disposition of contract payments withheld or suspended. When disposition of withheld funds remains the final action necessary to close out a contract, the Department of Labor has given blanket approval to forward withheld funds to the Comptroller General pending completion of an investigation or other administrative proceedings.

(4) Liquidated damages. (A) The agency head may adjust liquidated damages of $500 or less when the amount assessed is incorrect or waive the assessment when the violations—

(1) Were nonwillful or inadvertent; and

(2) Occurred notwithstanding the exercise of due care by the contractor, its subcontractor, or their agents.

(B) The agency head may recommend to the Administrator, Wage and Hour Division, that the liquidated damages over $500 be adjusted because the amount assessed is incorrect. The agency head may also recommend the assessment be waived when the violations—

(1) Were nonwillful or inadvertent; and

(2) Occurred notwithstanding the exercise of due care by the contractor, the subcontractor, or their agents.

222.406–10 Disposition of disputes concerning construction contract labor standards enforcement.

(d) Forward the contracting officer's findings and the contractor's statement through the labor advisor.

222.406–13 Semiannual enforcement reports.

Forward these reports through the head of the contracting activity to the labor advisor within 15 days following the end of the reporting period. These reports shall not include information from investigations conducted by the Department of Labor. These reports shall contain the following information, as applicable, for construction work subject to the Davis-Bacon Act and the CWHSSA—

(1) Period covered;

(2) Number of prime contracts awarded;

(3) Total dollar amount of prime contracts awarded;

(4) Number of contractors/subcontractors against whom complaints were received;

(5) Number of investigations conducted;

(6) Number of contractors/subcontractors found in violation;

(7) Amount of wage restitution found due under—

(i) Davis-Bacon Act

(ii) CWHSSA;

(8) Number of employees due wage restitution under—

(i) Davis-Bacon Act

(ii) CWHSSA;

(9) Amount of liquidated damages assessed under the CWHSSA—

(i) Total amount

(ii) Number of contracts involved;

(10) Number of employees and amount paid/withheld under—

(i) Davis-Bacon Act

(ii) CWHSSA

(iii) Copeland Act; and

(11) Preconstruction activities—

(i) Number of compliance checks performed

(ii) Preconstruction letters sent.
222.604 Exemptions.
222.604–2 Regulatory exemptions.
   (b) Submit all applications for such exemptions through contracting channels to the labor advisor.

Subpart 222.8—Equal Employment Opportunity
222.806 Inquiries.
   (b) Refer inquiries through the labor advisor.
222.807 Exemptions.
   (c) Follow the procedures at PGI 222.807(c) when submitting a request for an exemption.
   [71 FR 18670, Apr. 12, 2006]

Subpart 222.10—Service Contract Act of 1965, as Amended
222.1003 Applicability.
222.1003–1 General.
   For contracts having a substantial amount of construction, alteration, renovation, painting, or repair work, see 222.402–70.
222.1008 Procedures for obtaining wage determinations.
222.1008–1 Obtaining wage determinations.
   Follow the procedures at PGI 222.1008–1 regarding use of the Service Contract Act Directory of Occupations when preparing the e98.
   [72 FR 20764, Apr. 26, 2007]

Subpart 222.13—Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans

Source: 71 FR 18670, Apr. 12, 2006, unless otherwise noted.
Subpart 222.17—Combating Trafficking in Persons

SOURCE: 71 FR 62563, Oct. 26, 2006, unless otherwise noted.

222.1703 Policy.

See PGI 222.1703 for additional information regarding DoD policy for combating trafficking in persons outside the United States.

[73 FR 4115, Jan. 24, 2008]

222.1704 Violations and remedies.

Follow the procedures at PGI 222.1704 for notifying the Combatant Commander if a violation occurs.

[73 FR 4115, Jan. 24, 2008]

Subpart 222.70—Restrictions on the Employment of Personnel for Work on Construction and Service Contracts in Noncontiguous States

SOURCE: 65 FR 14403, Mar. 16, 2000, unless otherwise noted.

222.7000 Scope of subpart.

(a) This subpart implements Section 8071 of the Fiscal Year 2000 Defense Appropriations Act, Public Law 106–79, and similar sections in subsequent Defense Appropriations Acts.

(b) This subpart applies only—

(1) To construction and service contracts to be performed in whole or in part within a noncontiguous State; and

(2) When the unemployment rate in the noncontiguous State is in excess of the national average rate of unemployment as determined by the Secretary of Labor.

222.7001 Definition.

“Noncontiguous State,” as used in this subpart, means Alaska, Hawaii, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, Baker Island, Howland Island, Jarvis Island, Johnston Island, Kingman Reef, Midway Islands, Navassa Island, Palmyra Atoll, and Wake Island.

[65 FR 50151, Aug. 17, 2000]

222.7002 General.

A contractor awarded a contract subject to this subpart must employ, for the purpose of performing that portion of the contract work within the noncontiguous State, individuals who are residents of that noncontiguous State and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform this contract.

222.7003 Waivers.

The head of the agency may waive the requirements of 222.7002 on a case-by-case basis in the interest of national security.

[65 FR 50151, Aug. 17, 2000]

222.7004 Contract clause.

Use the clause at 252.222–7000, Restrictions on Employment of Personnel for Work on Construction and Service Contracts in Noncontiguous States in paragraph (a) of the clause.

Subpart 222.71—Right of First Refusal of Employment

SOURCE: 57 FR 52593, Nov. 4, 1992, unless otherwise noted.

222.7101 Policy.

(a) DoD policy is to minimize the adverse impact on civil service employees affected by the closure of military installations. One means of implementing this policy is to give employees adversely affected by closure of a military installation the right of first refusal for jobs created by award of contracts arising from the closure effort that the employee is qualified to fill.

(b) Closure efforts include the acquisitions for preparing the installation for closure (such as environmental restoration and utilities modification) and maintaining the property after closure (such as security and fire prevention services).
222.7102 Contract clause.

Use the clause at 252.222-7001, Right of First Refusal of Employment—Closure of Military Installations, in all solicitations and contracts arising from the closure of the military installation where the contract will be performed.

Subpart 222.72—Compliance with Labor Laws of Foreign Governments

222.7201 Contract clauses.

(a) Use the clause at 252.222-7002, Compliance with Local Labor Laws (Overseas), in solicitations and contracts for services or construction to be performed outside the United States and its outlying areas.

(b) Use the clause at 252.222-7003, Permit from Italian Inspectorate of Labor, in solicitations and contracts for porter, janitorial, or ordinary facility and equipment maintenance services to be performed in Italy.

(c) Use the clause at 252.222-7004, Compliance with Spanish Social Security Laws and Regulations, in solicitations and contracts for services or construction to be performed in Spain.


222.7300 Scope of subpart.

This subpart—

(a) Implements Section 390 of the National Defense Authorization Act for Fiscal Year 1998 (Pub. L. 105-85); and

(b) Applies to contracts for base operations support on Guam that—

(1) Are awarded as a result of a competition conducted under OMB Circular A-76; and

(2) Are entered into or modified on or after November 18, 1997.


222.7400 Scope of subpart.

This subpart implements section 8116 of the Defense Appropriations Act for Fiscal Year 2010 (Pub. L. 111-118) and similar sections in subsequent DoD appropriations acts.

Source: 76 FR 38048, June 29, 2011

48 CFR Ch. 2 (10–1–11 Edition)
new work) in excess of $1 million, unless the contractor agrees not to—

(1) Enter into any agreement with any of its employees or independent contractors that requires, as a condition of employment, that the employee or independent contractor agree to resolve through arbitration—

(i) Any claim under title VII of the Civil Rights Act of 1964; or

(ii) Any tort related to or arising out of sexual assault or harassment, including assault and battery, intentional infliction of emotional distress, false imprisonment, or negligent hiring, supervision, or retention; or

(2) Take any action to enforce any provision of an existing agreement with an employee or independent contractor that mandates that the employee or independent contractor resolve through arbitration—

(i) Any claim under title VII of the Civil Rights Act of 1964; or

(ii) Any tort related to or arising out of sexual assault or harassment, including assault and battery, intentional infliction of emotional distress, false imprisonment, or negligent hiring, supervision, or retention.

(b) No funds appropriated or otherwise made available by the Fiscal Year 2010 Defense Appropriations Act (Pub. L. 111–118) or subsequent DoD appropriations acts may be expended unless the contractor certifies that it requires each covered subcontractor to agree not to enter into, and not to take any action to enforce, any provision of any agreement, as described in paragraph (a) of this section, with respect to any employee or independent contractor performing work related to such subcontract.

[75 FR 76297, Dec. 8, 2010]

222.7403 Applicability.

This requirement does not apply to the acquisition of commercial items (including commercially available off-the-shelf items).

[75 FR 76297, Dec. 8, 2010]

222.7404 Waiver.

(a) The Secretary of Defense may waive, in accordance with paragraphs (b) through (d) of this section, the applicability of paragraphs (a) or (b) of 222.7402 to a particular contract or subcontract, if the Secretary or the Deputy Secretary personally determines that the waiver is necessary to avoid harm to national security interests of the United States, and that the term of the contract or subcontract is not longer than necessary to avoid such harm.

(b) The waiver determination shall set forth the grounds for the waiver with specificity, stating any alternatives considered, and explain why each of the alternatives would not avoid harm to national security interests.

(c) The contracting officer shall submit requests for waivers in accordance with agency procedures.

(d) The Secretary of Defense will transmit the determination to Congress and simultaneously publish it in the Federal Register, not less than 15 business days before the contract or subcontract addressed in the determination may be awarded.

[76 FR 38048, June 29, 2011]
223.302

223.303 Contract clause.
223.370 Safety precautions for ammunition and explosives.
223.370–1 Scope.
223.370–2 Definition.
223.370–3 Policy.
223.370–4 Procedures.
223.370–5 Contract clauses.

Subpart 223.4—Use of Recovered Materials

223.405 Procedures.

Subpart 223.5—Drug-Free Workplace

223.570 Drug-free work force.
223.570–1 Policy.
223.570–2 Contract clause.

Subpart 223.8—Ozone-Depleting Substances

223.803 Policy.

Subpart 223.70 [Reserved]

Subpart 223.71—Storage and Disposal of Toxic and Hazardous Materials

223.7100 Policy.
223.7101 Procedures.
223.7102 Exceptions.
223.7103 Contract clause.

Subpart 223.72—Safeguarding Sensitive Conventional Arms, Ammunition, and Explosives

223.7200 Definition.
223.7201 Policy.
223.7202 Preaward responsibilities.
223.7203 Contract clause.

Subpart 223.73—Minimizing the Use of Materials Containing Hexavalent Chromium

223.7300 Definition.
223.7301 Policy.
223.7302 Authorities.
223.7303 Prohibition.
223.7304 Exceptions.
223.7305 Authorization and approval.
223.7306 Contract clause.

SOURCE: 56 FR 36365, July 31, 1991, unless otherwise noted.

Subpart 223.3—Hazardous Material Identification and Material Safety Data

223.302 Policy.

(e) The contracting officer shall also provide hazard warning labels, that are received from apparent successful offerors, to the cognizant safety officer.

[70 FR 73150, Dec. 9, 2005]

223.303 Contract clause.

Use the clause at 252.223-7001, Hazard Warning Labels, in solicitations and contracts which require submission of hazardous material data sheets (see FAR 23.302(c)).

[56 FR 67215, Dec. 30, 1991]

223.370 Safety precautions for ammunition and explosives.

223.370–1 Scope.

(a) This section applies to all acquisitions involving the use of ammunition and explosives, including acquisitions for—
(1) Development;
(2) Testing;
(3) Research;
(4) Manufacturing;
(5) Handling or loading;
(6) Assembling;
(7) Packaging;
(8) Storage;
(9) Transportation;
(10) Renovation;
(11) Demilitarization;
(12) Modification;
(13) Repair;
(14) Disposal;
(15) Inspection; or
(16) Any other use, including acquisitions requiring the use or the incorporation of materials listed in paragraph (b) of this subsection for initiation, propulsion, or detonation as an integral or component part of an explosive, an ammunition, or explosive end item or weapon system.

(b) This section does not apply to acquisitions solely for—
(1) Inert components containing no explosives, propellants, or pyrotechnics;
(2) Flammable liquids;
(3) Acids;
(4) Oxidizers;
(5) Powdered metals; or
(6) Other materials having fire or explosive characteristics.

223.370–2 Definition.

Ammunition and explosives, as used in this section, is defined in the clause at
223.370–3 Policy.

(a) DoD policy is to ensure that its contractors take reasonable precautions in handling ammunition and explosives so as to minimize the potential for mishaps.

(b) This policy is implemented by DoD Manual 4145.26–M, DoD Contractors’ Safety Manual for Ammunition and Explosives, which is incorporated into contracts under which ammunition and explosives are handled. The manual contains mandatory safety requirements for contractors. When work is to be performed on a Government-owned installation, the contracting officer may use the ammunition and explosives regulation of the DoD component or installation as a substitute for, or supplement to, DoD Manual 4145.26–M, as long as the contract cites these regulations.

[56 FR 36365, July 31, 1991, as amended at 70 FR 73150, Dec. 9, 2005]

223.370–4 Procedures.

Follow the procedures at PGI 223.370–4.

[70 FR 73151, Dec. 9, 2005]

223.370–5 Contract clauses.

Use the clauses at 252.223–7002, Safety Precautions for Ammunition and Explosives, and 252.223–7003, Change in Place of Performance—Ammunition and Explosives, in all solicitations and contracts for acquisition to which this section applies.

Subpart 223.4—Use of Recovered Materials

223.405 Procedures.

Follow the procedures at PGI 223.405.

[70 FR 73151, Dec. 9, 2005]

Subpart 223.5—Drug-Free Workplace

Source: 57 FR 32737, July 23, 1992, unless otherwise noted.

223.570 Drug-free work force.

223.570–1 Policy.

DoD policy is to ensure that its contractors maintain a program for achieving a drug-free work force.

[57 FR 32737, July 23, 1992. Redesignated at 70 FR 73151, Dec. 9, 2005]

223.570–2 Contract clause.

(a) Use the clause at 252.223–7004, Drug-Free Work Force, in all solicitations and contracts—

(1) That involve access to classified information; or

(2) When the contracting officer determines that the clause is necessary for reasons of national security or for the purpose of protecting the health or safety of those using or affected by the product of, or performance of, the contract.

(b) Do not use the clause in solicitations and contracts—

(1) For commercial items;

(2) When performance or partial performance will be outside the United States and its outlying areas, unless the contracting officer determines such inclusion to be in the best interest of the Government; or

(3) When the value of the acquisition is at or below the simplified acquisition threshold.


Subpart 223.8—Ozone-Depleting Substances

223.803 Policy.

No DoD contract may include a specification or standard that requires the use of a class I ozone-depleting substance or that can be met only through the use of such a substance unless the inclusion of the specification or standard is specifically authorized at a level no lower than a general or flag officer or a member of the Senior Executive Service of the requiring activity in accordance with Section 326, Public Law 102–484 (10 U.S.C. 2301 (repealed) note). This restriction is in addition to any
imposed by the Clean Air Act and applies after June 1, 1993, to all DoD contracts, regardless of place of performance.

[71 FR 75892, Dec. 19, 2006]

Subpart 223.70 [Reserved]

Subpart 223.71—Storage and Disposal of Toxic and Hazardous Materials

SOURCE: 58 FR 28466, May 13, 1993, unless otherwise noted.

223.7100 Policy.

10 U.S.C. 2692 prohibits storage or disposal of non-DoD-owned toxic or hazardous materials on DoD installations, except as provided in 223.7102. DoD Instruction 4715.6, Environmental Compliance, implements 10 U.S.C. 2692.


223.7101 Procedures.

(a) If the contracting officer is uncertain as to whether particular activities are prohibited or fall under one of the exceptions in 223.7102, the contracting officer should seek advice from the cognizant office of counsel.

(b) When storage, treatment, or disposal of non-DoD-owned toxic or hazardous materials is authorized in accordance with this subpart, the contract or authorization should specify the types, conditions, and quantities of toxic or hazardous materials that may be temporarily stored, treated, or disposed of in connection with the contract or as a result of the authorized commercial use of a DoD industrial-type facility.

[60 FR 61597, Nov. 30, 1995]

223.7102 Exceptions.

(a) The prohibition of 10 U.S.C. 2692 does not apply to—

(1) The storage of strategic and critical materials in the National Defense Stockpile under an agreement for such storage with the Administrator of General Services Administration;

(2) The temporary storage or disposal of explosives in order to protect the public or to assist agencies responsible for Federal law enforcement in storing or disposing of explosives when no alternative solution is available, if such storage or disposal is made in accordance with an agreement between the Secretary of Defense and the head of the Federal agency concerned;

(3) The temporary storage or disposal of explosives in order to provide emergency lifesaving assistance to civil authorities;

(4) The disposal of excess explosives produced under a DoD contract, if the head of the military department concerned determines, in each case, that an alternative feasible means of disposal is not available to the contractor, taking into consideration public safety, available resources of the contractor, and national defense production requirements;

(5) The temporary storage of nuclear materials or nonnuclear classified materials in accordance with an agreement with the Secretary of Energy;

(6) The storage of materials that constitute military resources intended to be used during peacetime civil emergencies in accordance with applicable DoD regulations;

(7) The temporary storage of materials of other Federal agencies in order to provide assistance and refuge for commercial carriers of such material during a transportation emergency;

(8) The storage of any material that is not owned by DoD, if the Secretary of the military department concerned determines that the material is required or generated by a private person in connection with the authorized and compatible use by that person of an industrial-type DoD facility; or

(9) The treatment and disposal of any non-DoD-owned material if the Secretary of the military department concerned—

(i) Determines that the material is required or generated by a private person in connection with the authorized and compatible commercial use by that person of an industrial-type facility of that military department; and

(ii) Enters into a contract with that person that—

(A) Is consistent with the best interest of national defense and environmental security; and

[71 FR 75892, Dec. 19, 2006]
(B) Provides for that person’s continued financial and environmental responsibility and liability with regard to the material.

(b) The Secretary of Defense, where DoD Instruction 4715.6 applies, may grant exceptions to the prohibition of 10 U.S.C. 2692 when essential to protect the health and safety of the public from imminent danger.


223.7103 Contract clause.

(a) Use the clause at 252.223–7006, Prohibition on Storage and Disposal of Toxic and Hazardous Materials, in all solicitations and contracts which require, may require, or permit contractor performance on a DoD installation.

(b) Use the clause at 252.223–7006 with its Alternate I, when the Secretary of the military department issues a determination under the exception at 223.7102(a)(9).

[60 FR 13076, Mar. 10, 1995]

Subpart 223.72—Safeguarding Sensitive Conventional Arms, Ammunition, and Explosives

SOURCE: 61 FR 7743, Feb. 29, 1996, unless otherwise noted.

223.7200 Definition.

“Arms, ammunition, and explosives (AA&E),” as used in this subpart, means those items within the scope (chapter 1, paragraph B) of DoD 5100.76–M, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives.

223.7201 Policy.

(a) The requirements of DoD 5100.76–M, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives, shall be applied to contracts when—

(1) AA&E will be provided to the contractor or subcontractor as Government-furnished property; or

(2) The principal development, production, manufacture, or purchase of AA&E is for DoD use.

(b) The requirements of DoD 5100.76–M need not be applied to contracts when—

(1) The AA&E to be acquired under the contract is a commercial item within the meaning of FAR 2.101; or

(2) The contract will be performed in a Government-owned contractor-operated ammunition production facility. However, if subcontracts issued under such a contract will meet the criteria of paragraph (a) of this section, the requirements of DoD 5100.76–M shall apply.

223.7202 Preaward responsibilities.

When an acquisition involves AA&E, technical or requirements personnel shall specify in the purchase request—

(a) That AA&E is involved; and

(b) Which physical security requirements of DoD 5100.76–M apply.

223.7203 Contract clause.

Use the clause at 252.223–7007, Safeguarding Sensitive Conventional Arms, Ammunition, and Explosives, in all solicitations and contracts to which DoD 5100.76–M applies, in accordance with the policy at 223.7201. Complete paragraph (b) of the clause based on information provided by cognizant technical or requirements personnel.

[61 FR 7743, Feb. 29, 1996; 61 FR 18185, Apr. 24, 1996]

Subpart 223.73—Minimizing the Use of Materials Containing Hexavalent Chromium

SOURCE: 76 FR 25575, May 5, 2011, unless otherwise noted.

223.7300 Definition.

“Legacy system, as used in this subpart, means any program that has passed Milestone A in the defense acquisition management system, as defined in DoD Instruction 5000.02.

223.7301 Policy.

It is DoD policy to minimize hexavalent chromium (an anti-corrosive) in items acquired by DoD (deliverables and construction material), due to the serious human health and environmental risks related to its use. Executive Order 13423, section 3,
paragraph (a) requires that the heads of agencies reduce or eliminate the acquisition and use of toxic or hazardous chemicals. Executive Order 13514 requires that the heads of agencies are responsible for “reducing and minimizing the quantity of toxic and hazardous chemicals and materials acquired, used, or disposed of.”

223.7302 Authorities.

223.7303 Prohibition.
(a) Except as provided in 223.7304 and 223.7305, no contract may include a specification or standard that results in a deliverable or construction material containing more than 0.1 percent hexavalent chromium by weight in any homogeneous material in the deliverable or construction material where proven substitutes are available that provide acceptable performance for the application.
(b) This prohibition is in addition to any imposed by the Clean Air Act regardless of the place of performance.

223.7304 Exceptions.
The prohibition in 223.7303 does not apply to—
(a) Legacy systems and their related parts, subsystems, and components that already contain hexavalent chromium. However, alternatives to hexavalent chromium shall be considered by the appropriate official during system modifications, follow-on procurements of legacy systems, or maintenance procedure updates; and
(b) Additional sustainment related contracts (e.g., parts, services) for a system in which use of hexavalent chromium was previously approved.

223.7305 Authorization and approval.
(a) The prohibition in 223.7303 does not apply to critical defense applications if no substitute can meet performance requirements. The DoD policy of April 8, 2009, “Minimizing the Use of Hexavalent Chromium” contains requirements for weighing hexavalent chromium versus substitutes. DoD Program Managers must consider the following factors—
(1) Cost effectiveness of alternative materials or processes;
(2) Technical feasibility of alternative materials or processes;
(3) Environment, safety, and occupational health risks associated with the use of the hexavalent chromium or substitute materials in each specific application;
(4) Achieving a DoD Manufacturing Readiness Level of at least eight for any qualified alternative;
(5) Material availability of hexavalent chromium and the proposed alternatives over the projected life span of the system; and
(6) Corrosion performance difference of alternative materials or processes as determined by agency corrosion subject matter experts.
(b) However, unless an exception in 223.7304 applies, the incorporation of hexavalent chromium in items acquired by DoD shall be specifically authorized at a level no lower than a general or flag officer or a member of the Senior Executive Service from the Program Executive Office or equivalent level, in coordination with the component Corrosion Control and Prevention Executive. Follow the procedures in PGI 223.7305.

223.7306 Contract clause.
Unless an exception in 223.7304 applies, or use has been authorized in accordance with 223.7305, use the clause at 252.223–7008, Prohibition of Hexavalent Chromium, in solicitations and contracts for supplies, maintenance and repair services, or construction.

PART 224—PROTECTION OF PRIVACY AND FREEDOM OF INFORMATION

Subpart 224.1—Protection of Individual Privacy
Sec. 224.103 Procedures.
Defense Acquisition Regulations System, DOD

Subpart 224.2—Freedom of Information Act

224.203 Policy.


SOURCE: 56 FR 36367, July 31, 1991, unless otherwise noted.

Subpart 224.1—Protection of Individual Privacy

224.103 Procedures.

(b)(2) DoD rules and regulations are contained in DoDD 5400.11, Department of Defense Privacy Program, and DoD 5400.11–R, Department of Defense Privacy Program.

Subpart 224.2—Freedom of Information Act

224.203 Policy.

(a) DoD implementation is in DoDD 5400.7, DoD Freedom of Information Act Program, and DoD 5400.7–R, DoD Freedom of Information Act Program.

PART 225—FOREIGN ACQUISITION

Sec.
225.001 General.
225.003 Definitions.
225.004 Reporting of acquisition of end products manufactured outside the United States.

Subpart 225.1—Buy American Act—Supplies

225.101 General.
225.103 Exceptions.
225.104 Nonavailable articles.
225.105 Determining reasonableness of cost.
225.170 Acquisition from or through other Government agencies.

Subpart 225.2—Buy American Act—Construction Materials

225.202 Exceptions.
225.206 Noncompliance.

Subpart 225.3—Contracts Performed Outside the United States

225.301 Contractor personnel in a designated operational area or supporting a diplomatic or consular mission outside the United States.
225.301–1 Scope.
Pt. 225 48 CFR Ch. 2 (10–1–11 Edition)

225.871–6 Disposal of property.
225.871–7 Congressional notification.
225.872 Contracting with qualifying country sources.
225.872–1 General.
225.872–2 Applicability.
225.872–3 Solicitation procedures.
225.872–4 Individual determinations.
225.872–5 Contract administration.
225.872–6 Audit.
225.872–7 Industrial security for qualifying countries.
225.872–8 Subcontracting with qualifying country sources.
225.873 Waiver of United Kingdom commercial exploitation levies.
225.873–1 Policy.
225.873–2 Procedures.

Subpart 225.9—Customs and Duties
225.900–70 Definition.
225.901 Policy.
225.902 Procedures.
225.903 Exempted supplies.

Subpart 225.10—Additional Foreign Acquisition Regulations
225.1070 Clause deviations in overseas contracts.

Subpart 225.11—Solicitation Provisions and Contract Clauses
225.1100 Scope of subpart.
225.1101 Acquisition of supplies.
225.1103 Other provisions and clauses.

Subpart 225.70—Authorization Acts, Appropriations Acts, and Other Statutory Restrictions on Foreign Acquisition
225.7000 Scope of subpart.
225.7001 Definitions.
225.7002 Restrictions on food, clothing, fabrics, and hand or measuring tools.
225.7002–1 Restrictions.
225.7002–2 Exceptions.
225.7002–3 Contract clauses.
225.7003 Restrictions on acquisition of specialty metals.
225.7003–1 Definitions.
225.7003–2 Restrictions.
225.7003–3 Exceptions.
225.7003–4 One-time waiver.
225.7003–5 Solicitation provision and contract clauses.
225.7004 Restriction on acquisition of foreign busses.
225.7004–1 Restriction.
225.7004–2 Applicability.
225.7004–3 Exceptions.
225.7004–4 Waiver.
225.7005 Restriction on certain chemical weapons antidote.
225.7005–1 Restriction.
225.7005–2 Exception.
225.7005–3 Waiver.
225.7006 Restrictions on air circuit breakers for naval vessels.
225.7006–1 Restriction.
225.7006–2 Exceptions.
225.7006–3 Waiver.
225.7006–4 Solicitation provision and contract clause.
225.7007 Restrictions on anchor and mooring chain.
225.7007–1 Restrictions.
225.7007–2 Waiver.
225.7007–3 Contract clause.
225.7008 Waiver of restrictions of 10 U.S.C. 2539.
225.7009 Restriction on ball and roller bearings.
225.7009–1 Scope.
225.7009–2 Restriction.
225.7009–3 Exception.
225.7009–4 Waiver.
225.7009–5 Contract clause.
225.7010 (Reserved)
225.7011 Restriction on carbon, alloy, and armor steel plate.
225.7011–1 Restriction.
225.7011–2 Waiver.
225.7011–3 Contract clause.
225.7012 Restriction on supercomputers.
225.7012–1 Restriction.
225.7012–2 Waiver.
225.7012–3 Contract clause.
225.7013 Restrictions on construction or repair of vessels in foreign shipyards.
225.7014 Restrictions on military construction.
225.7015 Restriction on overseas architect-engineer services.
225.7016 Prohibition.

Subpart 225.71—Other Restrictions on Foreign Acquisition
225.7100 Scope of subpart.
225.7101 Definitions.
225.7102 Forgings.
225.7102–1 Policy.
225.7102–2 Exceptions.
225.7102–3 Waiver.
225.7102–4 Contract clause.

Subpart 225.72—Reporting Contract Performance Outside the United States
225.7201 Policy.
225.7202 Exception.
225.7203 Contracting officer distribution of reports.
225.7204 Solicitation provision and contract clauses.

Subpart 225.73—Acquisitions for Foreign Military Sales
225.7300 Scope of subpart.
225.7301 General.
Defense Acquisition Regulations System, DOD 225.003

225.7302 Guidance.
225.7303 Pricing acquisitions for FMS.
225.7303–1 Contractor sales to other foreign customers.
225.7303–2 Cost of doing business with a foreign government or an international organization.
225.7303–4 Contingent fees.
225.7303–5 Acquisitions wholly paid for from nonrepayable funds.
225.7305 Limitation of liability.
225.7306 Offset arrangements.

Subpart 225.74—Defense Contractors Outside the United States

225.7401 Contracts requiring performance or delivery in a foreign country.
225.7402 Contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States.
225.7402–1 Scope.
225.7402–2 Definition.
225.7402–3 Government support.
225.7402–4 Law of war training.
225.7402–5 Contract clauses.
225.7403 Antiterrorism/force protection.
225.7403–1 General.
225.7403–2 Contract clause.
225.7404 Contract administration in support of contingency operations.

Subpart 225.75—Balance of Payments Program

225.7500 Scope of subpart.
225.7501 Policy.
225.7502 Procedures.
225.7503 Contract clauses.

Subpart 225.76—Secondary Arab Boycott of Israel

225.7601 Restriction.
225.7602 Procedures.
225.7603 Exceptions.
225.7604 Waivers.
225.7605 Solicitation provision.

Subpart 225.77—Acquisitions in Support of Operations in Iraq or Afghanistan

225.7700 Scope.
225.7701 Definitions.
225.7702 Acquisition of small arms.
225.7703 Acquisition of products or services other than small arms.
225.7703–1 Acquisition procedures.
225.7703–2 Determination requirements.
225.7703–3 Evaluating offers.
225.7703–4 Reporting requirement.
225.7703–5 Solicitation provisions and contract clauses.
225.7704 Acquisitions of products and services from South Caucasus/Central and South Asian (SC/CASA) state in support of operations in Afghanistan.
225.7704–1 Applicability of trade agreements.
225.7704–2 Applicability of Balance of Payments Program.
225.7704–3 Solicitation provisions and contract clauses.

Subpart 225.78—Acquisitions in Support of Geographic Combatant Command’s Theater Security Cooperation Efforts

225.7801 Policy.


SOURCE: 56 FR 36367, July 31, 1991, unless otherwise noted.

225.001 General.

For guidance on evaluating offers of foreign end products, see PGI 225.001.

[70 FR 73154, Dec. 9, 2005]

225.003 Definitions.

As used in this part—

(1) Caribbean Basin country end product includes petroleum or any product derived from petroleum.

(2) Defense equipment means any equipment, item of supply, component, or end product purchased by DoD.

(3) Domestic concern means—

(i) A concern incorporated in the United States (including a subsidiary that is incorporated in the United States, even if the parent corporation is a foreign concern; or

(ii) An unincorporated concern having its principal place of business in the United States.

(4) Domestic end product has the meaning given in the clauses at 252.225–7001, Buy American Act and Balance of Payments Program; and 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program, instead of the meaning in FAR 25.003.

(5) Eligible product means, instead of the definition in FAR 25.003—

(i) A foreign end product that—

(A) Is in a category listed in 225.401–70; and

(B) Is not subject to discriminatory treatment, due to the applicability of a trade agreement to a particular acquisition;
(i) A foreign construction material that is not subject to discriminatory treatment, due to the applicability of a trade agreement to a particular acquisition; or

(ii) A foreign service that is not subject to discriminatory treatment, due to the applicability of a trade agreement to a particular acquisition.

(6) *Foreign concern* means any concern other than a domestic concern.

(7) *Free Trade Agreement country* does not include Oman.

(8) *Nonqualifying country* means a country other than the United States or a qualifying country.

(9) *Nonqualifying country component* means a component mined, produced, or manufactured in a nonqualifying country.

(10) *Qualifying country* means a country with a reciprocal defense procurement memorandum of understanding or international agreement with the United States in which both countries agree to remove barriers to purchases of supplies produced in the other country or services performed by sources of the other country, and the memorandum or agreement complies, where applicable, with the requirements of section 36 of the Arms Export Control Act (22 U.S.C. 2776) and with 10 U.S.C. 2457. Accordingly, the following are qualifying countries:

Australia
Austria
Belgium
Canada
Denmark
Egypt
Finland
France
Germany
Greece
Israel
Italy
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland.

(11) *Qualifying country component* and *qualifying country end product* are defined in the clauses at 252.225–7001, Buy American Act and Balance of Payments Program; and 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program. *Qualifying country end product* is also defined in the clause at 252.225–7021, Trade Agreements.

(12) *Qualifying country offer* means an offer of a qualifying country end product, including the price of transportation to destination.

(13) *Source*, when restricted by words such as foreign, domestic, or qualifying country, means the actual manufacturer or producer of the end product or component.

(14) *South Caucasus/Central and South Asian (SC/CASA) state* means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

(15) *South Caucasus/Central and South Asian (SC/CASA) state construction material* means construction material that—

(i) Is wholly the growth, product, or manufacture of an SC/CASA state; or

(ii) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different construction material distinct from the material from which it was transformed.

(16) *South Caucasus/Central and South Asian (SC/CASA) state end product* means an article that—

(i) Is wholly the growth, product, or manufacture of an SC/CASA state; or

(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product, includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does...
Defense Acquisition Regulations System, DOD 225.103

not exceed the value of the product itself.

not exceed the value of the product itself.


**225.004 Reporting of acquisition of end products manufactured outside the United States.**

Follow the procedures at PGI 225.004 for entering the data upon which the report required by FAR 25.004 will be based.

[71 FR 62559, Oct. 26, 2006]

**Subpart 225.1—Buy American Act—Supplies**

SOURCE: 68 FR 15618, Mar. 31, 2003, unless otherwise noted.

225.101 General.

(a) For DoD, the following two-part test determines whether a manufactured end product is a domestic end product:

(i) The end product is manufactured in the United States; and

(ii) The cost of its U.S. and qualifying country components exceeds 50 percent of the cost of all its components. This test is applied to end products only and not to individual components.

(c) Additional exceptions that allow the purchase of foreign end products are listed at 225.103.

225.103 Exceptions.

(a)(i)(A) Public interest exceptions for certain countries are in 225.872.

(B) For procurements covered by the World Trade Organization Government Procurement Agreement, the Under Secretary of Defense (Acquisition, Technology, and Logistics) has determined that it is inconsistent with the public interest to apply the Buy American Act to end products that are substantially transformed in the United States.

(ii)(A) Normally, use the evaluation procedures in Subpart 225.5, but consider recommending a public interest exception if the purposes of the Buy American Act are not served, or in order to meet a need set forth in 10 U.S.C. 2333. For example, a public interest exception may be appropriate—

(I) If accepting the low domestic offer will involve substantial foreign expenditures, or accepting the low foreign offer will involve substantial domestic expenditures;

(2) To ensure access to advanced state-of-the-art commercial technology; or

(3) To maintain the same source of supply for spare and replacement parts (also see paragraph (b)(ii)(B) of this section)—

(i) For an end item that qualifies as a domestic end product; or

(ii) In order not to impair integration of the military and commercial industrial base.

(B) Except as provided in PGI 225.872–4, process a determination for a public interest exception after consideration of the factors in 10 U.S.C. 2533—

(1) At a level above the contracting officer for acquisitions valued at or below the simplified acquisition threshold;

(2) By the head of the contracting activity for acquisitions with a value greater than the simplified acquisition threshold but less than $1.5 million; or

(3) By the agency head for acquisitions valued at $1.5 million or more.

(ii) Except as provided in FAR 25.103(b)(3), the determination shall be approved—

(A) At a level above the contracting officer for acquisitions valued at or below the simplified acquisition threshold;

(B) By the chief of the contracting office for acquisitions with a value greater than the simplified acquisition threshold but less than $1.5 million; or

(C) By the head of the contracting activity or immediate deputy for acquisitions valued at $1.5 million or more.

(iii) A separate determination as to whether an article is reasonably available is not required for the following articles. DoD has already determined
that these articles are not reasonably available from domestic sources:

(A) End products or components listed in 225.104(a).

(B) Spare or replacement parts that must be acquired from the original foreign manufacturer or supplier.

(C) Foreign drugs acquired by the Defense Supply Center, Philadelphia, when the Director, Pharmaceuticals Group, Directorate of Medical Material, determines that only the requested foreign drug will fulfill the requirements.

(iv) Under coordinated acquisition (see Subpart 208.70), the determination is the responsibility of the requiring department when the requiring department specifies acquisition of a foreign end product.

(c) The cost of a domestic end product is unreasonable if it is not the low evaluated offer when evaluated under Subpart 225.5.


225.104 Nonavailable articles.

(a) DoD has determined that the following articles also are nonavailable in accordance with FAR 25.103(b):

(i) Aluminum clad steel wire.

(ii) Sperm oil.

225.105 Determining reasonableness of cost.

(b) Use an evaluation factor of 50 percent instead of the factors specified in FAR 25.105(b).

225.170 Acquisition from or through other Government agencies.

Contracting activities must apply the evaluation procedures in Subpart 225.5 when using Federal supply schedules.

Subpart 225.2—Buy American Act—Construction Materials

225.202 Exceptions.

(a)(2) A nonavailability determination is not required for construction materials listed in FAR 25.104(a) or in 225.104(a). For other materials, a nonavailability determination shall be approved at the levels specified in 225.103(b)(ii). Use the estimated value of the construction materials to determine the approval level.

[65 FR 19851, Apr. 13, 2000, as amended at 68 FR 15619, Mar. 31, 2003]

225.206 Noncompliance.

(c)(4) Prepare any report of noncompliance in accordance with the procedures at 209.406–3 or 209.407–3.

[64 FR 62866, Nov. 18, 1999]

Subpart 225.3—Contracts Performed Outside the United States

SOURCE: 73 FR 16774, Mar. 31, 2008, unless otherwise noted.

225.301 Contractor personnel in a designated operational area or supporting a diplomatic or consular mission outside the United States.

225.301–1 Scope.

(a) Performance in a designated operational area, as used in this section, means performance of a service or construction, as required by the contract. For supply contracts, the term includes services associated with the acquisition of supplies (e.g., installation or maintenance), but does not include production of the supplies or associated overhead functions.

(c) For DoD, this section also applies to all personal services contracts.

225.301–4 Contract clause.

(1) Use the clause at FAR 52.225–19, Contractor Personnel in a Designated Operational Area or Supporting a Diplomatic or Consular Mission Outside the United States, in accordance with the prescription at FAR 25.301–4, except that—

(i) The clause shall also be used in personal services contracts with individuals; and

(ii) The clause shall not be used when all contractor personnel performing outside the United States will be covered by the clause at 252.225–7040.

(2) When using the clause at FAR 52.225–19, the contracting officer shall inform the contractor that the Synchronized Predeployment and Operational Tracker (SPOT) is the appropriate automated system to use for the


225.370 Contractors performing private security functions.

225.370–1 Scope.


225.370–2 Applicability.

This section applies to acquisitions for supplies and services that require the performance of private security functions in areas of—

(a) Contingency operations (see FAR 2.101);

(b) Complex contingency operations; or

(c) Other military operations or exercises that are designated by the combatant commander.

225.370–3 Definitions.

As used in this section—

Complex contingency operations means large-scale peace operations (or elements thereof) conducted by a combination of military forces and non-military organizations that involve one or more of the elements of peace operations that include one or more elements of other types of operations, such as foreign humanitarian assistance, nation assistance, support to insurgency, or support to countering insurgents.

Private security functions means activities engaged in by a contractor, including—

(1) Guarding of personnel, facilities, designated sites, or property of a Federal agency, the contractor or subcontractor, or a third party; and

(2) Any other activity for which personnel are required to carry weapons in the performance of their duties.

225.370–4 Policy.


(b) The requirements of this section apply to contractors that employ private security contractors in areas of contingency operations, complex contingency operations, or other military operations or exercises that are designated by the combatant commander, whether the contract is for the performance of private security functions or other supplies or services.

(c) DoD requires contractors described in paragraph (b) above to—

(i) Ensure that all employees of the contractor who are responsible for performing private security functions comply with orders, directives, and instructions to contractors performing private security functions for—

(A) Registering, processing, accounting for, managing, overseeing, and keeping appropriate records of personnel performing private security functions. This includes ensuring the issuance, maintenance, and return of Personal Identity Verification credentials in accordance with FAR clause 52.204–9, Personal Identity Verification of Contractor Personnel, and DoD procedures, including revocation of any physical and/or logistical access (as defined by Homeland Security Presidential Directive (HSPD–12)) granted to such personnel;

(ii) Authorizing and accounting for weapons to be carried by or available to be used by personnel performing private security functions;

(A) All weapons must be registered in the Synchronized Predeployment Operational Tracker (SPOT) materiel tracking system.
(B) In addition, all weapons that are Government-furnished property must be assigned a unique identifier in accordance with the clauses at 252.211–7003 and 252.245.7001 and physically marked in accordance with MIL–STD 130 (current version) and DoD directives and instructions. The items must be registered in the DoD Item Unique Identification (IUID) Registry (https://www.bpn.gov/iuid/);

(iii) Registering and identifying armored vehicles, helicopters, and other military vehicles operated by contractors performing private security functions;

(A) All armored vehicles, helicopters, and other military vehicles must be registered in SPOT.

(B) In addition, all armored vehicles, helicopters, and other military vehicles that are Government-furnished property must be assigned a unique identifier in accordance with the clauses at 252.211–7003 and 252.245.7001 and physically marked in accordance with MIL–STD 130 (current version) and DoD directives and instructions. The items must be registered in the DoD IUID Registry; and

(iv) Reporting incidents in which—

(A) A weapon is discharged by personnel performing private security functions;

(B) Personnel performing private security functions are attacked, killed, or injured;

(C) Persons are killed or injured or property is destroyed as a result of conduct by contractor personnel;

(D) A weapon is discharged against personnel performing private security functions or personnel performing such functions believe a weapon was so discharged; or

(E) Active, non-lethal countermeasures (other than the discharge of a weapon) are employed by personnel performing private security functions in response to a perceived immediate threat;

(2) Ensure that all employees of the contractor who are responsible for personnel performing private security functions are briefed on and understand their obligation to comply with—

(i) Qualification, training, screening (including, if applicable, thorough background checks), and security requirements established by DoDI 3020.50;

(ii) Applicable laws and regulations of the United States and the host country and applicable treaties and international agreements regarding performance of the functions of the private security contractors;

(iii) Orders, directives, and instructions issued by the applicable commander of a combatant command relating to weapons, equipment, force protection, security, health, safety, or relations and interaction with locals; and

(iv) Rules on the use of force issued by the applicable commander of a combatant command for personnel performing private security functions; and

(3) Cooperate with any Government-authorized investigation by providing access to employees performing private security functions and relevant information in the possession of the contractor.

225.370–5 Remedies.

(a) In addition to other remedies available to the Government—

(1) The contracting officer may direct the contractor, at its own expense, to remove and replace any contractor personnel who fail to comply with or violate applicable requirements. Such action may be taken at the Government’s discretion without prejudice to its rights under any other contract provision, including termination for default. Required contractor actions include—

(i) Ensuring the return of personal identity verification credentials;

(ii) Ensuring the return of any other equipment issued to the employee under the contract; and

(iii) Revocation of any physical and/or logistical access granted to such personnel;

(2) The contracting officer shall include the contractor’s failure to comply with the requirements of this subpart in appropriate databases of past performance and consider any such failure in any responsibility determination or evaluation of past performance;

(3) In the case of award-fee contracts, the contracting officer shall consider a contractor’s failure to comply with the
requirements of this subpart in the evaluation of the contractor's performance during the relevant evaluation period, and may treat such failure as a basis for reducing or denying award fees for such period or for recovering all or part of award fees previously paid for such period; and

(4) If the contractor fails to comply with the Government's direction to remove or replace personnel (see paragraph (a)(1) of this subsection), and such failure to comply is severe, prolonged, or repeated, the contracting officer may terminate the contract for default.

(b) If the performance failures are significant or repeated, the contracting officer shall refer the contractor to the appropriate suspension and debarment official.

225.370-6 Contract clause.
Use the clause at 252.225-7039, Contractors Performing Private Security Functions, in all solicitations and contracts to be performed in areas of—

(a) Contingency operations;
(b) Complex contingency operations; or
(c) Other military operations or exercises, when designated by the combatant commander.

Subpart 225.4—Trade Agreements
Source: 65 FR 19852, Apr. 13, 2000, unless otherwise noted.

225.401 Exceptions.
(a)(2)(A) If a department or agency considers an individual acquisition of a product to be indispensable for national security or national defense purposes and appropriate for exclusion from the provisions of FAR subpart 25.4, it may submit a request with supporting rationale to the Director of Defense Procurement and Acquisition Policy (OUSD(AT&L)/DPAP). Approval by OUSD(AT&L)/DPAP is not required if—

(1) Purchase from foreign sources is restricted by statute (see subpart 225.70);
(2) Another exception in FAR 25.401 applies to the acquisition; or
(3) Competition from foreign sources is restricted under subpart 225.71.

(B) Public interest exceptions for certain countries when acquiring products or services in support of operations in Afghanistan are in 225.7704–1.

(75 FR 81916, Dec. 29, 2010)

225.401–70 End products subject to trade agreements.
Acquisitions of end products in the following Federal supply groups (FSG) are covered by trade agreements if the value of the acquisition is at or above the applicable trade agreement threshold and no exception applies. If an end product is not in one of the listed groups, the trade agreements do not apply. The definition of Caribbean Basin country end products in FAR 25.003 excludes those end products that are not eligible for duty-free treatment under 19 U.S.C. 2703(b). Therefore certain watches, watch parts, and luggage from certain Caribbean Basin countries are not eligible products. However, 225.003 expands the definition of Caribbean Basin country end products to include petroleum and any product derived from petroleum, in accordance with Section 8094 of Pub. L. 103–139.

<table>
<thead>
<tr>
<th>FSG</th>
<th>Category/Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Railway equipment</td>
</tr>
<tr>
<td>23</td>
<td>Motor vehicles, trailers, and cycles (except 2350 and buses under 2310)</td>
</tr>
<tr>
<td>24</td>
<td>Tractors</td>
</tr>
<tr>
<td>25</td>
<td>Vehicular equipment components</td>
</tr>
<tr>
<td>26</td>
<td>Tires and tubes</td>
</tr>
<tr>
<td>29</td>
<td>Engine accessories</td>
</tr>
<tr>
<td>30</td>
<td>Mechanical power transmission equipment</td>
</tr>
<tr>
<td>32</td>
<td>Woodworking machinery and equipment</td>
</tr>
<tr>
<td>34</td>
<td>Metalworking machinery</td>
</tr>
<tr>
<td>35</td>
<td>Service and trade equipment</td>
</tr>
<tr>
<td>36</td>
<td>Special industry machinery (except 3690)</td>
</tr>
<tr>
<td>37</td>
<td>Agricultural machinery and equipment</td>
</tr>
<tr>
<td>38</td>
<td>Construction, mining, excavating, and highway maintenance equipment</td>
</tr>
<tr>
<td>39</td>
<td>Materials handling equipment</td>
</tr>
<tr>
<td>40</td>
<td>Rope, cable, chain and fittings</td>
</tr>
<tr>
<td>41</td>
<td>Refrigeration and air conditioning equipment</td>
</tr>
<tr>
<td>42</td>
<td>Fire fighting, rescue and safety equipment</td>
</tr>
<tr>
<td>43</td>
<td>Pumps and compressors</td>
</tr>
<tr>
<td>44</td>
<td>Furnace, steam plant and drying equipment (except 4470)</td>
</tr>
<tr>
<td>45</td>
<td>Plumbing, heating, and sanitation equipment</td>
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<td>FSG</td>
<td>Category/Description</td>
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<tr>
<td>46</td>
<td>Water purification and sewage treatment equipment</td>
</tr>
<tr>
<td>47</td>
<td>Piping, tubing, hose, and fitting</td>
</tr>
<tr>
<td>48</td>
<td>Valves</td>
</tr>
<tr>
<td>49</td>
<td>Maintenance and repair shop equipment (except 4920–4927, 4931–4935, 4960)</td>
</tr>
<tr>
<td>52</td>
<td>Hardware and abrasives</td>
</tr>
<tr>
<td>53</td>
<td>Prefabricated structures and scaffolding</td>
</tr>
<tr>
<td>54</td>
<td>Lumber, millwork, plywood, and veneer</td>
</tr>
<tr>
<td>55</td>
<td>Construction and building materials</td>
</tr>
<tr>
<td>56</td>
<td>Electric wire, and power and distribution equipment</td>
</tr>
<tr>
<td>57</td>
<td>Lighting fixtures and lamps</td>
</tr>
<tr>
<td>58</td>
<td>Alarm and signal systems</td>
</tr>
<tr>
<td>59</td>
<td>Medical, dental, and veterinary equipment and supplies</td>
</tr>
<tr>
<td>60</td>
<td>Instruments and laboratory equipment (except aircraft clocks under 6645)—See FAR 25.003 exclusion of certain watches and watch parts for certain Caribbean Basin countries</td>
</tr>
<tr>
<td>61</td>
<td>Photographic equipment</td>
</tr>
<tr>
<td>62</td>
<td>Chemicals and chemical products</td>
</tr>
<tr>
<td>63</td>
<td>Training aids and devices</td>
</tr>
<tr>
<td>64</td>
<td>General purpose ADPE, software, supplies, and support equipment</td>
</tr>
<tr>
<td>65</td>
<td>Furniture</td>
</tr>
<tr>
<td>66</td>
<td>Household and commercial furnishings and appliances</td>
</tr>
<tr>
<td>67</td>
<td>Food preparation and serving equipment</td>
</tr>
<tr>
<td>68</td>
<td>Office machines, visible record equipment and ADP equipment</td>
</tr>
<tr>
<td>69</td>
<td>Office supplies and devices</td>
</tr>
<tr>
<td>70</td>
<td>Books, maps, and other publications</td>
</tr>
<tr>
<td>71</td>
<td>Musical instruments, phonographs, and home type radios</td>
</tr>
<tr>
<td>72</td>
<td>Recreational and athletic equipment</td>
</tr>
<tr>
<td>73</td>
<td>Cleaning equipment and supplies</td>
</tr>
<tr>
<td>74</td>
<td>Brushes, paints, sealers, and adhesives</td>
</tr>
<tr>
<td>75</td>
<td>Containers, packaging and packing supplies (except 8140)</td>
</tr>
<tr>
<td>76</td>
<td>Pins, needles, and sewing kits (only part of 8315) and flag staffs, flagpoles, and flagstaff trucks (only part of 8345)</td>
</tr>
<tr>
<td>77</td>
<td>Luggage (only 8460)—See FAR 25.003 for exclusion of luggage for Caribbean Basin countries</td>
</tr>
<tr>
<td>78</td>
<td>Tires</td>
</tr>
<tr>
<td>79</td>
<td>Agricultural supplies</td>
</tr>
<tr>
<td>80</td>
<td>Live animals</td>
</tr>
<tr>
<td>81</td>
<td>Tobacco products (only 8975)</td>
</tr>
<tr>
<td>82</td>
<td>Fuels, oils, and waxes</td>
</tr>
<tr>
<td>83</td>
<td>Nonmetallic fabricated materials</td>
</tr>
<tr>
<td>84</td>
<td>Nonmetallic crude materials</td>
</tr>
<tr>
<td>85</td>
<td>Ores, minerals, and their primary products</td>
</tr>
<tr>
<td>86</td>
<td>Miscellaneous</td>
</tr>
</tbody>
</table>

225.401–71 Products or services in support of operations in Iraq or Afghanistan.

When acquiring products or services, other than small arms, in support of operations in Iraq or Afghanistan—

(a) If using the procedure specified in 225.7703–1(a)(1), the purchase restriction at FAR 25.403(c) does not apply with regard to products or services from Iraq.

(b) If using a procedure specified in 225.7703–1(a)(2) or (3), the procedures of subpart 25.4 are not applicable.

225.402 General.

To estimate the value of the acquisition, use the total estimated value of end products covered by trade agreements (see 225.401–70).

225.403 World Trade Organization Government Procurement Agreement and Free Trade Agreements.

(c) For acquisitions of supplies covered by the World Trade Organization Government Procurement Agreement, acquire only U.S.-made, qualifying country, or designated country end products unless—

(i) The contracting officer determines that offers of U.S.-made, qualifying country, or designated country end products from responsive, responsible offerors are either—

   (A) Not received; or
   (B) Insufficient to fill the Government’s requirements. In this case, accept all responsive, responsible offers of U.S.-made, qualifying country, and eligible products before accepting any other offers; or

(ii) A national interest waiver under 19 U.S.C. 2512(b)(2) is granted on a case-by-case basis. Except as delegated in paragraphs (c)(i)(A) and (B) of this section, submit any request for a national interest waiver to the Director of Defense Procurement and Acquisition Policy in accordance with department or agency procedures. Include supporting rationale with the request.
(A) The head of the contracting activity may approve a national interest waiver for a purchase by an overseas purchasing activity, if the waiver is supported by a written statement from the requiring activity that the products being acquired are critical for the support of U.S. forces stationed abroad.

(B) The Commander or Director, Defense Energy Support Center, may approve national interest waivers for purchases of fuel for use by U.S. forces overseas.

(iii) The acquisition is in support of operations in Afghanistan (see 225.7704–1).


225.408 Procedures.

(a)(4) The requirements of FAR 25.408(a)(4), on submission of offers in U.S. dollars, do not apply to overseas acquisitions or to Defense Energy Support Center post, camp, or station overseas requirements.

[70 FR 73154, Dec. 9, 2005]

Subpart 225.5—Evaluating Foreign Offers—Supply Contracts

Source: 68 FR 15620, Mar. 31, 2003, unless otherwise noted.

225.502 Application.

(a) Whenever the acquisition is in support of operations in Afghanistan, treat the offers of end products from South Caucasus or Central and South Asian states listed in 225.401–70 the same as qualifying country offers.

(b) Use the following procedures instead of the procedures in FAR 25.502(b) for acquisitions subject to the World Trade Organization Government Procurement Agreement:

(i) Consider only offers of U.S.-made, qualifying country, or designated country end products, except as permitted by 225.403 or 225.7703–1.

(ii) If price is the determining factor, award on the low offer.

(c) Use the following procedures instead of those in FAR 25.502(c) for acquisitions subject to the Buy American Act or the Balance of Payments Program:

(i)(A) If the acquisition is subject only to the Buy American Act or the Balance of Payments Program, then only qualifying country end products are exempt from application of the Buy American Act or Balance of Payments Program evaluation factor.

(B) If the acquisition is also subject to a Free Trade Agreement, then eligible products of the applicable Free Trade Agreement country are also exempt from application of the Buy American Act or Balance of Payments Program evaluation factor.

(ii) If price is the determining factor, use the following procedures:

(A) If the low offer is a domestic offer, award on that offer.

(B) If there are no domestic offers, award on the low offer (see example in 225.504(1)).

(C) If the low offer is a foreign offer that is exempt from application of the Buy American Act or Balance of Payments Program evaluation factor, award on that offer. (If the low offer is a qualifying country offer from a country listed at 225.872–1(b), execute a determination in accordance with 225.872–4.)

(D) If the low offer is a foreign offer that is not exempt from application of the Buy American Act or Balance of Payments Program evaluation factor, and there is another foreign offer that is exempt and is lower than the lowest domestic offer, award on the low foreign offer (see example in 225.504(2)).

(E) Otherwise, apply the 50 percent evaluation factor to the low foreign offer.

(I) If the price of the low domestic offer is less than the evaluated price of the low foreign offer, award on the low domestic offer (see example in 225.504(3)).

(2) If the evaluated price of the low foreign offer remains less than the low domestic offer, award on the low foreign offer (see example in 225.504(4)).

(iii) If price is not the determining factor, use the following procedures:

(A) If there are domestic offers, apply the 50 percent Buy American Act or Balance of Payments Program evaluation factor to all foreign offers unless an exemption applies.

(B) Evaluate in accordance with the criteria of the solicitation.
225.503  Group offers.

Evaluate group offers in accordance with FAR 25.503, but apply the evaluation procedures of 225.502.

225.504  Evaluation examples.

For examples that illustrate the evaluation procedures in 225.502(c)(ii), see PGI 225.504.

[70 FR 73154, Dec. 9, 2005]

Subpart 225.7—Prohibited Sources

225.701  Restrictions.

See 209.104–1(g) for restrictions on contracting with firms owned or controlled by foreign governments.

[70 FR 73154, Dec. 9, 2005]

225.701–70 Exception.

DoD personnel are authorized to make emergency acquisitions in direct support of U.S. or allied forces deployed in military contingency, humanitarian, or peacekeeping operations in a country or region subject to economic sanctions administered by the Department of the Treasury, Office of Foreign Assets Control.

[68 FR 7441, Feb. 14, 2003]

225.770  Prohibition on acquisition of United States Munitions List items from Communist Chinese military companies.

This section implements Section 1211 of the National Defense Authorization Act for Fiscal Year 2006 (Pub. L. 109–163). See PGI 225.770 for additional information relating to this statute, the terms used in this section, and the United States Munitions List.

[71 FR 53046, Sept. 8, 2006]

225.770–1 Definitions.

As used in this section—

(a) Communist Chinese military company and United States Munitions List are defined in the clause at 252.225–7007, Prohibition on Acquisition of United States Munitions List Items from Communist Chinese Military Companies.

(b) Component means an item that is useful only when used in conjunction with an end item (22 CFR 121.8).

(c) Part means any single unassembled element of a major or minor component, accessory, or attachment, that is not normally subject to disassembly without the destruction or impairment of design use (22 CFR 121.8).

[71 FR 53046, Sept. 8, 2006]

225.770–2 Prohibition.

Do not acquire supplies or services covered by the United States Munitions List (USML) (22 CFR part 121), through a contract or subcontract at any tier, from any Communist Chinese military company. This prohibition does not apply to components and parts of covered items unless the components and parts are themselves covered by the USML.

[71 FR 53046, Sept. 8, 2006]

225.770–3 Exceptions.

The prohibition in 225.770–2 does not apply to supplies or services acquired—

(a) In connection with a visit to the People’s Republic of China by a vessel or an aircraft of the U.S. armed forces;

(b) For testing purposes; or

(c) For the purpose of gathering intelligence.

[71 FR 53046, Sept. 8, 2006]
225.770–4 Identifying USML items.
(a) Before issuance of a solicitation, the requiring activity shall notify the contracting officer in writing whether the items to be acquired are covered by the USML. The notification shall identify any covered item(s) and shall provide the pertinent USML reference(s) from 22 CFR Part 121.
(b) The USML includes defense articles and defense services that fall into 21 categories. Since not all USML items are themselves munitions (e.g., protective personnel equipment, military training equipment), the requiring activity should consult the USML before concluding that an item is or is not covered by the USML.

[71 FR 53046, Sept. 8, 2006]

225.770–5 Waiver of prohibition.
(a) The prohibition in 225.770–2 may be waived, on a case-by-case basis, if an official identified in paragraph (b) of this subsection determines that a waiver is necessary for national security purposes.
(b) The following officials are authorized, without power of delegation, to make the determination specified in paragraph (a) of this subsection:
(1) The Under Secretary of Defense (Acquisition, Technology, and Logistics).
(2) The Secretaries of the military departments.
(c) The official granting a waiver shall notify the congressional defense committees within 30 days after the date of the waiver.

[71 FR 53046, Sept. 8, 2006]

Subpart 225.8—Other International Agreements and Coordination

SOURCE: 68 FR 15621, Mar. 31, 2003, unless otherwise noted.

225.802–70 Contracts for performance outside the United States and Canada.
Follow the procedures at PGI 225.802–70 when placing a contract requiring performance outside the United States and Canada. Also see Subpart 225.74, Defense Contractors Outside the United States.

[70 FR 23801, May 5, 2005]

225.802–71 End use certificates.
Contracting officers considering the purchase of an item from a foreign source may encounter a request for the signing of a certificate to indicate that the Armed Forces of the United States is the end user of the item, and that the U.S. Government will not transfer the item to third parties without authorization from the Government of the country selling the item. When encountering this situation, refer to DoD Directive 2040.3, End Use Certificates, for guidance.

225.870 Contracting with Canadian contractors.

225.870–1 General.
(a) The Canadian Government guarantees to the U.S. Government all commitments, obligations, and covenants of the Canadian Commercial Corporation under any contract or order issued to the Corporation by any contracting office of the U.S. Government. The Canadian Government has waived notice of any change or modification that may be made, from time to time, in these commitments, obligations, or covenants.
(b) For production planning purposes, Canada is part of the defense industrial base (see 225.870–2(b)).
(c) The Canadian Commercial Corporation will award and administer contracts with contractors located in Canada, except for—
(1) Negotiated acquisitions for experimental, developmental, or research work under projects other than the Defense Development Sharing Program;
(2) Acquisitions of unusual or compelling urgency;
(3) Acquisitions at or below the simplified acquisition threshold; or
(4) Acquisitions made by DoD activities located in Canada.
225.870–2 Solicitation of Canadian contractors.

(a) If requested, furnish a solicitation to the Canadian Commercial Corporation even if no Canadian firm is solicited.

(b) Handle acquisitions at or below the simplified acquisition threshold directly with Canadian firms and not through the Canadian Commercial Corporation.


225.870–3 Submission of offers.

(a) As indicated in 225.870–4, the Canadian Commercial Corporation is the prime contractor. To indicate acceptance of offers by individual Canadian companies, the Canadian Commercial Corporation issues a letter supporting the Canadian offer and containing the following information:

(1) Name of the Canadian offeror.

(2) Confirmation and endorsement of the offer in the name of the Canadian Commercial Corporation.

(3) A statement that the Corporation shall subcontract 100 percent with the offeror.

(b) When a Canadian offer cannot be processed through the Canadian Commercial Corporation in time to meet the date for receipt of offers, the Corporation may permit Canadian firms to submit offers directly. However, the contracting officer shall receive the Canadian Commercial Corporation’s endorsement before contract award.

(c) The Canadian Commercial Corporation will submit all sealed bids in terms of U.S. currency. Do not adjust contracts awarded under sealed bidding for losses or gains from fluctuation in exchange rates.

(d) Except for sealed bids, the Canadian Commercial Corporation normally will submit offers and quotations in terms of Canadian currency. The Corporation may, at the time of submitting an offer, elect to quote and receive payment in terms of U.S. currency, in which case the contract—

(1) Shall provide for payment in U.S. currency; and

(2) Shall not be adjusted for losses or gains from fluctuation in exchange rates.

225.870–4 Contracting procedures.

(a) Except for contracts described in 225.870–1(c)(1) through (4), award individual contracts covering purchases from suppliers located in Canada to the Canadian Commercial Corporation, 11th Floor, 50 O’Connor Street, Ottawa, Ontario, Canada, K1A–0S6.

(b) Direct communication with the Canadian supplier is authorized and encouraged in connection with all technical aspects of the contract, provided the Corporation’s approval is obtained on any matters involving changes to the contract.

(c) Identify in the contract, the type of currency, i.e., U.S. or Canadian. Contracts that provide for payment in Canadian currency shall—

(1) Quote the contract price in terms of Canadian dollars and identify the amount by the initials “CN”, e.g., $1,647.23CN; and

(2) Clearly indicate on the face of the contract the U.S./Canadian conversion rate at the time of award and the U.S. dollar equivalent of the Canadian dollar contract amount.

225.870–5 Contract administration.

Follow the contract administration procedures at PGI 225.870–5.

[70 FR 73155, Dec. 9, 2005]

225.870–6 Termination procedures.

When contract termination is necessary, follow the procedures at 249.7000.

[71 FR 27645, May 12, 2006]

225.870–7 Acceptance of Canadian supplies.

For information on the acceptance of Canadian supplies, see PGI 225.870–7.

[70 FR 73155, Dec. 9, 2005]

225.870–8 Industrial security.

Industrial security for Canada shall be in accordance with the U.S.-Canada
Defense Acquisition Regulations System, DOD 225.871–4

Industrial Security Agreement of March 31, 1952, as amended.

225.871 North Atlantic Treaty Organization (NATO) cooperative projects.

225.871–1 Scope.
This section implements 22 U.S.C. 2767 and 10 U.S.C. 2350b.
[70 FR 73155, Dec. 9, 2005]

225.871–2 Definitions.
As used in this section—
(a) Cooperative project means a jointly managed arrangement—
(1) Described in a written agreement between the parties;
(2) Undertaken to further the objectives of standardization, rationalization, and interoperability of the armed forces of NATO member countries; and
(3) Providing for—
(i) One or more of the other participants to share with the United States the cost of research and development, testing, evaluation, or joint production (including follow-on support) of certain defense articles;
(ii) Concurrent production in the United States and in another member country of a defense article jointly developed; or
(iii) Acquisition by the United States of a defense article or defense service from another member country.
(b) Other participant means a cooperative project participant other than the United States.

225.871–3 General.
(a) Cooperative project authority. (1) Departments and agencies, that have authority to do so, may enter into cooperative project agreements with NATO or with one or more member countries of NATO under DoDD 5530.3, International Agreements.
(2) Under laws and regulations governing the negotiation and implementation of cooperative project agreements, departments and agencies may enter into contracts, or incur other obligations, on behalf of other participants without charge to any appropriation or contract authorization.
(3) Agency heads are authorized to solicit and award contracts to implement cooperative projects.
(b) Contracts implementing cooperative projects shall comply with all applicable laws relating to Government acquisition, unless a waiver is granted under 225.871–4. A waiver of certain laws and regulations may be obtained if the waiver—
(1) Is required by the terms of a written cooperative project agreement;
(2) Will significantly further NATO standardization, rationalization, and interoperability; and
(3) Is approved by the appropriate DoD official.

225.871–4 Statutory waivers.
(a) For contracts or subcontracts placed outside the United States, the Deputy Secretary of Defense may waive any provision of law that specifically prescribes—
(1) Procedures for the formation of contracts;
(2) Terms and conditions for inclusion in contracts;
(3) Requirements or preferences for—
(i) Goods grown, produced, or manufactured in the United States or in U.S. Government-owned facilities; or
(ii) Services to be performed in the United States; or
(4) Requirements regulating the performance of contracts.
(b) There is no authority for waiver of—
(1) Any provision of the Arms Export Control Act (22 U.S.C. 2751);
(2) Any provision of 10 U.S.C. 2304;
(3) The cargo preference laws of the United States, including the Military Cargo Preference Act of 1904 (10 U.S.C. 2631) and the Cargo Preference Act of 1954 (46 U.S.C. 1241(b)); or
(4) Any of the financial management responsibilities administered by the Secretary of the Treasury.
(c) To request a waiver under a cooperative project, follow the procedures at PGI 225.871–4.
(d) Obtain the approval of the Deputy Secretary of Defense before committing to make a waiver in an agreement or a contract.

163
225.871–5 Directed Subcontracting.

(a) The Director of Defense Procurement and Acquisition Policy may authorize the direct placement of subcontracts with particular subcontractors. Directed subcontracting is not authorized unless specifically addressed in the cooperative project agreement.

(b) In some instances, it may not be feasible to name specific subcontractors at the time the agreement is concluded. However, the agreement shall clearly state the general provisions for work sharing at the prime and subcontract level. For additional information on cooperative project agreements, see PGI 225.871–5.

[68 FR 15621, Mar. 31, 2003, as amended at 70 FR 73155, Dec. 9, 2005]

225.871–6 Disposal of property.

Dispose of property that is jointly acquired by the members of a cooperative project under the procedures established in the agreement or in a manner consistent with the terms of the agreement, without regard to any laws of the United States applicable to the disposal of property owned by the United States.

[70 FR 73155, Dec. 9, 2005]

225.871–7 Congressional notification.

(a) Congressional notification is required when DoD makes a determination to award a contract or subcontract to a particular entity, if the determination was not part of the certification made under 22 U.S.C. 2767(f) before finalizing the cooperative agreement.

(1) Departments and agencies shall provide a proposed Congressional notice to the Director of Defense Procurement and Acquisition Policy in sufficient time to forward to Congress before the time of contract award.

(2) The proposed notice shall include the reason it is necessary to use the authority to designate a particular contractor or subcontractor.

(b) Congressional notification is also required each time a statutory waiver under 225.871–4 is incorporated in a contract or a contract modification, if such information was not provided in the certification to Congress before finalizing the cooperative agreement.


225.872 Contracting with qualifying country sources.

225.872–1 General.

(a) As a result of memoranda of understanding and other international agreements, DoD has determined it inconsistent with the public interest to apply restrictions of the Buy American Act or the Balance of Payments Program to the acquisition of qualifying country end products from the following qualifying countries:

Australia
Belgium
Canada
Denmark
Egypt
Federal Republic of Germany
Finland
France
Greece
Israel
Italy
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland.

(b) Individual acquisitions of qualifying country end products from the following qualifying country may, on a purchase-by-purchase basis (see 225.872–4), be exempted from application of the Buy American Act and the Balance of Payments Program as inconsistent with the public interest: Austria.

(c) The determination in paragraph (a) of this subsection does not limit the authority of the Secretary concerned to restrict acquisitions to domestic sources or reject an otherwise acceptable offer from a qualifying country source when considered necessary for national defense reasons.


225.872–2 Applicability.

(a) This section applies to all acquisitions of supplies except those restricted by—
Defense Acquisition Regulations System, DOD 225.872–4

(1) U.S. National Disclosure Policy, DoDD 5230.11, Disclosure of Classified Military Information to Foreign Governments and International Organizations;

(2) U.S. defense mobilization base requirements purchased under the authority of FAR 6.302–3(a)(2)(i), except for quantities in excess of that required to maintain the defense mobilization base. This restriction does not apply to Canadian planned producers.

(i) Review individual solicitations to determine whether this restriction applies.

(ii) Information concerning restricted items may be obtained from the Deputy Under Secretary of Defense (Industrial Affairs);

(3) Other U.S. laws or regulations (e.g., the annual DoD appropriations act); and

(4) U.S. industrial security requirements.

(b) This section does not apply to construction contracts.

225.872–3 Solicitation procedures.

(a) Except for items developed under the U.S./Canadian Development Sharing Program, use the criteria for soliciting and awarding contracts to small business concerns under FAR Part 19 without regard to whether there are potential qualifying country sources for the end product. Do not consider an offer of a qualifying country end product if the solicitation is identified for the exclusive participation of small business concerns.

(b) Send solicitations directly to qualifying country sources. Solicit Canadian sources through the Canadian Commercial Corporation in accordance with 225.870.

(c) Use international air mail if solicitation destinations are outside the United States and security classification permits such use.

(d) If unusual technical or security requirements preclude the acquisition of otherwise acceptable defense equipment from qualifying country sources, review the need for such requirements. Do not impose unusual technical or security requirements solely for the purpose of precluding the acquisition of defense equipment from qualifying countries.

(e) Do not automatically exclude qualifying country sources from submitting offers because their supplies have not been tested and evaluated by the department or agency.

(1) Consider the adequacy of qualifying country service testing on a case-by-case basis. Departments or agencies that must limit solicitations to sources whose items have been tested and evaluated by the department or agency shall consider supplies from qualifying country sources that have been tested and accepted by the qualifying country for service use.

(2) The department or agency may perform a confirmatory test, if necessary.

(3) Apply U.S. test and evaluation standards, policies, and procedures when the department or agency decides that confirmatory tests of qualifying country end products are necessary.

(4) If it appears that these provisions might adversely delay service programs, obtain the concurrence of the Under Secretary of Defense (Acquisition, Technology, and Logistics), before excluding the qualifying country source from consideration.

(f) Permit industry representatives from a qualifying country to attend symposia, program briefings, prebid conferences (see FAR 14.207 and 15.201(c)), and similar meetings that address U.S. defense equipment needs and requirements. When practical, structure these meetings to allow attendance by representatives of qualifying country concerns.


225.872–4 Individual determinations.

If the offer of an end product from a qualifying country source listed in 225.872–1(b), as evaluated, is low or otherwise eligible for award, prepare a determination and findings exempting the acquisition from the Buy American Act and the Balance of Payments Program as inconsistent with the public interest, unless another exception such as the Trade Agreements Act applies. Follow the procedures at PGI 225.872–4.

[70 FR 73155, Dec. 9, 2005]
225.872–5 Contract administration.

(a) Arrangements exist with some qualifying countries to provide reciprocal contract administration services. Some arrangements are at no cost to either government. To determine whether such an arrangement has been negotiated and what contract administration functions are covered, contact the Deputy Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), (703) 697–9351, DSN 227–9351.

(b) Follow the contract administration procedures at PGI 225.872–5(b).

(c) Information on quality assurance delegations to foreign governments is in Subpart 246.4, Government Contract Quality Assurance.


225.872–6 Audit.

(a) Memoranda of understanding with some qualifying countries contain annexes that provide for reciprocal “no-cost” audits of contracts and subcontracts (pre- and post-award).

(b) To determine if such an annex is applicable to a particular qualifying country, contact the Deputy Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), (703) 697–9351, DSN 227–9351.

(c) Handle requests for audits in qualifying countries in accordance with 215.404–2(c), but follow the additional procedures at PGI 225.872–6(c).


225.872–7 Industrial security for qualifying countries.

The required procedures for safeguarding classified defense information necessary for the performance of contracts awarded to qualifying country sources are in the DoD Industrial Security Regulation DoD 5220.22-R (implemented for the Army by AR 380–49; for the Navy by SECNAV Instruction 5510.1H; for the Air Force by AFI 31–601; for the Defense Information Systems Agency by DCA Instruction 240–110–8; and for the National Imagery and Mapping Agency by NIMA Instruction 5220.22).

225.872–8 Subcontracting with qualifying country sources.

In reviewing contractor subcontracting procedures, the contracting officer shall ensure that the contract does not preclude qualifying country sources from competing for subcontracts, except when restricted by national security interest reasons, mobilization base considerations, or applicable U.S. laws or regulations (see the clause at 252.225–7002, Qualifying Country Sources as Subcontractors).

225.873 Waiver of United Kingdom commercial exploitation levies.

225.873–1 Policy.

DoD and the Government of the United Kingdom (U.K.) have agreed to waive U.K. commercial exploitation levies and U.S. nonrecurring cost recoupment charges on a reciprocal basis. For U.K. levies to be waived, the offeror or contractor shall identify the levies and the contracting officer shall request a waiver before award of the contract or subcontract under which the levies are charged.

225.873–2 Procedures.

When an offeror or a contractor identifies a levy included in an offered or contract price, follow the procedures at PGI 225.873–2.

[70 FR 73155, Dec. 9, 2005]

Subpart 225.9—Customs and Duties

SOURCE: 68 FR 15626, Mar. 31, 2003, unless otherwise noted.

225.900–70 Definition.

“Component,” as used in this subpart, means any item supplied to the Government as part of an end product or of another component.

[74 FR 68383, Dec. 24, 2009]

225.901 Policy.

Unless the supplies are entitled to duty-free treatment under a special category in the Harmonized Tariff Schedule of the United States (e.g., the
Caribbean Basin Economic Recovery Act or a Free Trade Agreement), or unless the supplies already have entered into the customs territory of the United States and the contractor already has paid the duty, DoD will issue duty-free entry certificates for—
(1) Qualifying country supplies (end products and components);
(2) Eligible products (end products but not components) under contracts covered by the World Trade Organization Government Procurement Agreement or a Free Trade Agreement; and
(3) Other foreign supplies for which the contractor estimates that duty will exceed $200 per shipment into the customs territory of the United States.

Subpart 225.11—Solicitation Provisions and Contract Clauses

SOURCE: 68 FR 16526, Mar. 31, 2003, unless otherwise noted.

225.1100 Scope of subpart.
This subpart prescribes the clauses that implement Subparts 225.1 through 225.10. The clauses that implement Subparts 225.70 through 225.75 are prescribed within those subparts.

225.1101 Acquisition of supplies.
(1)(i) Use the provision at 252.225–7000, Buy American Act—Balance of Payments Program Certificate, instead of the provision at FAR 52.225–2, Buy American Act Certificate. Use the provision in any solicitation that includes the clause at 252.225–7001, Buy American Act and Balance of Payments Program.
(ii) Use the provision with its Alternate I when the acquisition is of end products listed in 225.401–70 in support of operations in Afghanistan.
(2)(i) Use the clause at 252.225–7001, Buy American Act and Balance of Payments Program, instead of the clause at FAR 52.225–1, Buy American Act—Supplies, in solicitations and contracts unless—
(A) All line items will be acquired from a particular source or sources under the authority of FAR 6.302–3;
(B) All line items must be domestic or qualifying country end products in accordance with Subpart 225.70. (However, the clause may still be required if Subpart 225.70 requires manufacture of the end product in the United States or in the United States or Canada, without a corresponding requirement for use of domestic components);
(C) An exception to the Buy American Act or Balance of Payments Program applies (see FAR 25.103, 225.103, and 225.7501);
(D) One or both of the following clauses will apply to all line items in the contract:
(1) 252.225–7021, Trade Agreements.
(2) 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program; or
(E) All line items will be acquired using a procedure specified in 225.7703–1(a).
(ii) Use the clause with its Alternate I when the acquisition is of end products listed in 225.401–70 in support of operations in Afghanistan.

(3) Use the clause at 252.225–7002, Qualifying Country Sources as Subcontractors, in solicitations and contracts that include one of the following clauses:

(i) 252.225–7001, Buy American Act and Balance of Payments Program.

(ii) 252.225–7021, Trade Agreements.

(iii) 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program.

(4) Use the clause at 252.225–7013, Duty-Free Entry, instead of the clause at FAR 52.225–8. Do not use the clause for acquisitions of supplies that will not enter the customs territory of the United States.

(5)(i) Except as provided in paragraph (7) of this section, use the provision at 252.225–7020, Trade Agreements Certificate, instead of the provision at FAR 52.225–6, Trade Agreements Certificate, in solicitations that include the clause at 252.225–7021, Trade Agreements.

(ii) Use the provision with its Alternate I when the acquisition is of end products in support of operations in Afghanistan.

(6)(i) Use the clause at 252.225–7021, Trade Agreements, instead of the clause at FAR 52.225–5, Trade Agreements, if the World Trade Organization Government Procurement Agreement applies.

(ii) Use the clause with its Alternate I in solicitations and contracts that include the clause at 252.225–7024, Requirement for Products or Services from Iraq or Afghanistan, unless the clause at 252.225–7024 has been modified to provide a preference only for the products of Afghanistan.

(iii) Use the clause with its Alternate II when the acquisition is of end products in support of operations in Afghanistan and Alternate I is not applicable.

(iv) Do not use the clause if—
(A) Purchase from foreign sources is restricted, unless the contracting officer anticipates a waiver of the restriction; or
(B) The clause at 252.225–7026, Acquisition Restricted to Products or Services from Iraq or Afghanistan, is included in the solicitation and contract.

(v) The acquisition of eligible and noneligible products under the same contract may result in the application of trade agreements to only some of the items acquired. In such case, indicate in the Schedule those items covered by the Trade Agreements clause.

(7) Use the provision at 252.225–7022, Trade Agreements Certificate—Inclusion of Iraqi End Products, instead of the provision at FAR 52.225–6, Trade Agreements Certificate, in solicitations that include the clause at 252.225–7021, Trade Agreements, with its Alternate I.

(8) Use the provision at 252.225–7032, Waiver of United Kingdom Levies—Evaluation of Offers, in solicitations if a U.K. firm is expected to—

(i) Submit an offer; or
(ii) Receive a subcontract exceeding $1 million.

(9) Use the clause at 252.225–7033, Waiver of United Kingdom Levies, in solicitations and contracts if a U.K. firm is expected to—

(i) Submit an offer; or
(ii) Receive a subcontract exceeding $1 million.

(10)(i) Use the provision at 252.225–7035, Buy American Act—Free Trade Agreements—Balance of Payments Program Certificate, instead of the provision at FAR 52.225–5, Buy American Act—Free Trade Agreements—Israeli Trade Act Certificate, in solicitations that include the clause at 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program.

(ii) Use the provision with its Alternate I when the clause at 252.225–7036 is used with its Alternate I.

(iii) Use the provision with its Alternate II when the clause at 252.225–7036 is used with its Alternate II.

(iv) Use the provision with its Alternate III when the clause at 252.225–7036 is used with its Alternate III.

(11)(i) Except as provided in paragraph (11)(ii) of this section, use the clause at 252.225–7036, Buy American Act—Free Trade Agreements—Balance of Payments Program, instead of the clause at FAR 52.225–3, Buy American Act—Free Trade Agreements—Israeli
Defense Acquisition Regulations System, DOD 225.7001

Trade Act, in solicitations and contracts for the items listed at 225.401–70, when the estimated value equals or exceeds $25,000, but is less than $203,000, and a Free Trade Agreement applies to the acquisition.
(A) Use the basic clause when the estimated value equals or exceeds $70,079, except if the acquisition is of end products in support of operations in Afghanistan, use with its Alternate II.
(B) Use the clause with its Alternate I when the estimated value equals or exceeds $25,000 but is less than $70,079, except if the acquisition is of end products in support of operations in Afghanistan, use with its Alternate III.
(ii) Do not use the clause if—
(A) Purchase from foreign sources is restricted (see 225.401(a)(2)), unless the contracting officer anticipates a waiver of the restriction;
(B) Acquiring information technology that is a commercial item, using fiscal year 2004 or subsequent funds (Section 535 of Division F of the Consolidated Appropriations Act, 2004 (Pub. L. 108–199), and the same provision in subsequent appropriations acts); or
(C) Using a procedure specified in 225.7703–1(a).
(iii) The acquisition of eligible and noneligible products under the same contract may result in the application of a Free Trade Agreement to only some of the items acquired. In such case, indicate in the Schedule those items covered by the Buy American Act—Free Trade Agreements—Balance of Payments Program clause.

[75 FR 81916, Dec. 29, 2010]

225.1103 Other provisions and clauses.
(1) Unless the contracting officer knows that the prospective contractor is not a domestic concern, use the clause at 252.225–7005, Identification of Expenditures in the United States, in solicitations and contracts that—
(i) Exceed the simplified acquisition threshold; and
(ii) Are for the acquisition of—
(A) Supplies for use outside the United States;
(B) Construction to be performed outside the United States; or
(C) Services to be performed primarily outside the United States.
(2) Use the clause at 252.225–7041, Correspondence in English, in solicitations and contracts when contract performance will be wholly or in part in a foreign country.
(3) Use the provision at 252.225–7042, Authorization to Perform, in solicitations when contract performance will be wholly or in part in a foreign country.
(4) Unless an exception in 225.770–3 applies, use the clause at 252.225–7007, Prohibition on Acquisition of United States Munitions List Items from Communist Chinese Military Companies, in solicitations and contracts involving the delivery of items covered by the United States Munitions List.


Subpart 225.70—Authorization Acts, Appropriations Acts, and Other Statutory Restrictions on Foreign Acquisition

225.7000 Scope of subpart.
(a) This subpart contains restrictions on the acquisition of foreign products and services, imposed by DoD appropriations and authorization acts and other statutes. Refer to the acts to verify current applicability of the restrictions.
(b) Nothing in this subpart affects the applicability of the Buy American Act or the Balance of Payments Program.


225.7001 Definitions.
As used in this subpart—
(a) Bearing components is defined in the clause at 252.225–7016, Restriction on Acquisition of Ball and Roller Bearings.
(b) “Component” is defined in the clauses at 252.225–7009, Restriction on Acquisition of Certain Articles Containing Specialty Metals; 252.225–7012, Preference for Certain Domestic Commodities, and 252.225–7016, Restriction on Acquisition of Ball and Roller Bearings, except that for use in 225.7001, the term has the meaning given in the
clause at 225.225–7019, Restriction on Acquisition of Anchor and Mooring Chain.

(c) "End product" is defined in the clause at 225.225–7012, Preference for Certain Domestic Commodities.

(d) Hand or measuring tools means those tools listed in Federal supply classifications 51 and 52, respectively.

(e) Specialty metals is defined in the clause at 225.225–7014, Preference for Domestic Specialty Metals.

225.7002–1 Restrictions on food, clothing, fabrics, and hand or measuring tools.

225.7002 Restrictions.

The following restrictions implement 10 U.S.C. 2533a (the "Berry Amendment"). Except as provided in subsection 225.7002–2, do not acquire—

(a) Any of the following items, either as end products or components, unless the items have been grown, reprocessed, reused, or produced in the United States:

(1) Food.
(2) Clothing and the materials and components thereof, other than sensors, electronics, or other items added to, and not normally associated with, clothing and the materials and components thereof. Clothing includes items such as outerwear, headwear, underwear, nightwear, footwear, hosiery, handwear, belts, badges, and insignia. For additional guidance and examples, see PGI 225.7002–1(a)(2).
(3) Tents, tarpaulins, or covers.
(4) Cotton and other natural fiber products.
(5) Woven silk or woven silk blends.
(6) Spun silk yarn for cartridge cloth.
(7) Synthetic fabric or coated synthetic fabric, including all textile fibers and yarns that are for use in such fabrics.
(8) Canvas products.
(9) Wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles).
(10) Any item of individual equipment (Federal Supply Class 8465) manufactured from or containing any of the fibers, yarns, fabrics, or materials listed in this paragraph (a).

(b) Hand or measuring tools, unless the tools were produced in the United States. For additional guidance, see PGI 225.7002–1(b).


225.7002–2 Exceptions.

Acquisitions in the following categories are not subject to the restrictions in 225.7002–1:

(a) Acquisitions at or below the simplified acquisition threshold.

(b) Acquisitions of any of the items in 225.7002–1, if the Secretary concerned determines that items grown, reprocessed, reused, or produced in the United States cannot be acquired as and when needed in a satisfactory quality and sufficient quantity at U.S. market prices. (See the requirement in 205.301 for synopsis within 7 days after contract award when using this exception.)

(1) The following officials are authorized, without power of redelegation, to make such a domestic nonavailability determination:

(i) The Under Secretary of Defense (Acquisition, Technology, and Logistics).
(ii) The Secretary of the Army.
(iii) The Secretary of the Navy.
(iv) The Secretary of the Air Force.
(v) The Director of the Defense Logistics Agency.

(2) The supporting documentation for the determination shall include—

(i) An analysis of alternatives that would not require a domestic nonavailability determination;
(ii) A written certification by the requiring activity, with specificity, why such alternatives are unacceptable.

(3) Defense agencies other than the Defense Logistics Agency shall follow the procedures at PGI 225.7002–2(b)(3) when submitting a request for a domestic nonavailability determination.

(4) Follow the procedures at PGI 225.7002–2(b)(4) for reciprocal use of domestic nonavailability determinations.

(c) Acquisitions of items listed in FAR 25.104(a).
(d) Acquisitions outside the United States in support of combat operations.  
(e) Acquisitions of perishable foods by or for activities located outside the United States for personnel of those activities.  
(f) Acquisitions of food or hand or measuring tools—  
(1) In support of contingency operations; or  
(2) For which the use of other than competitive procedures has been approved on the basis of unusual and compelling urgency in accordance with FAR 6.302–2.  
(g) Emergency acquisitions by activities located outside the United States for personnel of those activities.  
(h) Acquisitions by vessels in foreign waters.  
(i) Acquisitions of items specifically for commissary resale.  
(j) Acquisitions of incidental amounts of cotton, other natural fibers, or wool—  
(1) Is not more than 10 percent of the total price of the end product; and  
(2) Does not exceed the simplified acquisition threshold.  
(k) Acquisitions of waste and byproducts of cotton or wool fiber for use in the production of propellants and explosives.  
(l) Acquisitions of foods manufactured or processed in the United States, regardless of where the foods (and any component if applicable) were grown or produced. However, in accordance with Section 8118 of the DoD Appropriations Act for Fiscal Year 2005 (Pub. L. 108–287), this exception does not apply to fish, shellfish, or seafood manufactured or processed in the United States or fish, shellfish, or seafood contained in foods manufactured or processed in the United States.  
(m) Acquisitions of fibers and yarns that are for use in synthetic fabric or coated synthetic fabric (but not the purchase of the synthetic or coated synthetic fabric itself), if—  
(1) The fabric is to be used as a component of an end product that is not a textile product. Examples of textile products, made in whole or in part of fabric, include—  
(i) Draperies, floor coverings, furnishings, and bedding (Federal Supply Group 72, Household and Commercial Furnishings and Appliances);  
(ii) Items made in whole or in part of fabric in Federal Supply Group 83, Textile/leather/furs/apparel/findings/tents/flags, or Federal Supply Group 84, Clothing, Individual Equipment and Insignia;  
(iii) Upholstered seats (whether for household, office, or other use); and  
(iv) Parachutes (Federal Supply Class 1670); or  
(2) The fibers and yarns are para-aramid fibers and continuous filament para-aramid yarns manufactured in a qualifying country.  
(n) Acquisitions of chemical warfare protective clothing when the acquisition furthers an agreement with a qualifying country.  
(See 225.003(10) and the requirement in 205.301 for synopsis within 7 days after contract award when using this exception.)


225.7002–3 Contract clauses.  
Unless an exception applies—  
(a) Use the clause at 252.225–7012, Preference for Certain Domestic Commodities, in solicitations and contracts exceeding the simplified acquisition threshold.  
(b) Use the clause at 252.225–7015, Restriction on Acquisition of Hand or Measuring Tools, in solicitations and contracts exceeding the simplified acquisition threshold that require delivery of hand or measuring tools.  


225.7003 Restrictions on acquisition of specialty metals.  
225.7003–1 Definitions.  
As used in this section—  
(a) Assembly, commercial derivative military article, commercially available
The following restrictions implement 10 U.S.C. 2533b. Except as provided in 225.7003–3—

(a) Do not acquire the following items, or any components of the following items, unless any specialty metals contained in the items or components are melted or produced in the United States (also see guidance at PGI 225.7003–2(a)):

(1) Aircraft.
(2) Missile or space systems.
(3) Ships.
(4) Tank or automotive items.
(5) Weapon systems.
(6) Ammunition.

(b) Do not acquire a specialty metal (e.g., raw stock, including bar, billet, slab, wire, plate, and sheet; castings; and forgings) as an end item, unless the specialty metal is melted or produced in the United States. This restriction applies to specialty metal acquired by a contractor for delivery to DoD as an end item, in addition to specialty metal acquired by DoD directly from the entity that melted or produced the specialty metal.

225.7003–3 Exceptions.

Procedures for submitting requests to the Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)) for a determination or approval as required in paragraph (b)(5), (c), or (d) of this subsection are at PGI 225.7003–3.

(a) Acquisitions in the following categories are not subject to the restrictions in 225.7003–2:

(1) Acquisitions at or below the simplified acquisition threshold.

(2) Acquisitions outside the United States in support of combat operations.

(3) Acquisitions in support of contingency operations.

(4) Acquisitions for which the use of other than competitive procedures has been approved on the basis of unusual and compelling urgency in accordance with FAR 6.302–2.

(5) Acquisitions of items specifically for commissary resale.

(6) Acquisitions of items for test and evaluation under the foreign comparative testing program (10 U.S.C. 2350a(g)). However, this exception does not apply to any acquisitions under follow-on production contracts.

(b) One or more of the following exceptions may apply to an end item or component that includes any of the following, under a prime contract or subcontract at any tier. The restrictions in 225.7003–2 do not apply to the following:

(1) Electronic components, unless the Secretary of Defense, upon the recommendation of the Strategic Materials Protection Board pursuant to 10 U.S.C. 187, determines that the domestic availability of a particular electronic component is critical to national security.

(2)(i) Commercially available off-the-shelf (COTS) items containing specialty metals, except the restrictions do apply to contracts or subcontracts for the acquisition of—

(A) Specialty metal mill products, such as bar, billet, slab, wire, plate, and sheet, that have not been incorporated into end items, assemblies, or components. Specialty
metal supply contracts issued by COTS producers are not subcontracts for the purposes of this exception;

(B) Forgings or castings of specialty metals, unless the forgings or castings are incorporated into COTS end items, subsystems, or assemblies;

(C) Commercially available high performance magnets that contain specialty metal, unless such high performance magnets are incorporated into COTS end items or subsystems (see PGI 225.7003–3(b)(6) for a table of applicability of specialty metals restrictions to magnets); and

(D) COTS fasteners, unless—

(1) The fasteners are incorporated into COTS end items, subsystems, or assemblies; or

(2) The fasteners qualify for the commercial item exception in paragraph (b)(3) of this subsection.

(ii) If this exception is used for an acquisition of COTS end items valued at $5 million or more per item, the acquiring department or agency shall submit an annual report to the Director, Defense Procurement and Acquisition Policy, in accordance with the procedures at PGI 225.7003–3(b)(2).

(3) Fasteners that are commercial items and are acquired under a contract or subcontract with a manufacturer of such fasteners, if the manufacturer has certified that it will purchase, during the relevant calendar year, an amount of domestically melted or produced specialty metal, in the required form, for use in the production of fasteners for sale to DoD and other customers, that is not less than 50 percent of the total amount of the specialty metal that the manufacturer will purchase to carry out the production of such fasteners for all customers.

(4) Items listed in 225.7003–2(a), manufactured in a qualifying country or containing specialty metals melted or produced in a qualifying country.

(5) Specialty metal in any of the items listed in 225.7003–2 if the USD(AT&L), or an official authorized in accordance with paragraph (b)(5)(i) of this subsection, determines that specialty metal melted or produced in the United States cannot be acquired as and when needed at a fair and reasonable price in a satisfactory quality, a sufficient quantity, and the required form (i.e., a domestic nonavailability determination). See guidance in PGI 225.7003–3(b)(5).

(i) The Secretary of the military department concerned is authorized, without power of redelegation, to make a domestic nonavailability determination that applies to only one contract.

The supporting documentation for the determination shall include—

(A) An analysis of alternatives that would not require a domestic nonavailability determination; and

(B) Written documentation by the requiring activity, with specificity, why such alternatives are unacceptable.

(ii) A domestic nonavailability determination that applies to more than one contract (i.e., a class domestic nonavailability determination), requires the approval of the USD(AT&L).

(A) At least 30 days before making a domestic nonavailability determination that would apply to more than one contract, the USD(AT&L) will, to the maximum extent practicable, and in a manner consistent with the protection of national security and confidential business information—

(1) Publish a notice on the Federal Business Opportunities Web site (http://www.FedBizOpps.gov or any successor site) of the intent to make the domestic nonavailability determination; and

(2) Solicit information relevant to such notice from interested parties, including producers of specialty metal mill products.

(B) The USD(AT&L)—

(1) Will take into consideration all information submitted in response to the notice in making a class domestic nonavailability determination;

(2) May consider other relevant information that cannot be made part of the public record consistent with the protection of national security information and confidential business information; and

(3) Will ensure that any such domestic nonavailability determination and the rationale for the determination are made publicly available to the maximum extent consistent with the protection of national security and confidential business information.
(6) End items containing a minimal amount of otherwise noncompliant specialty metals (i.e., specialty metals not melted or produced in the United States that are not covered by another exception listed in this paragraph (b)), if the total weight of noncompliant specialty metal does not exceed 2 percent of the total weight of all specialty metal in the end item. This exception does not apply to high performance magnets containing specialty metals. See PGI 225.7003–3(b)(6) for a table of applicability of specialty metals restrictions to magnets.

(c) Compliance for commercial derivative military articles. The restrictions at 225.7003–2(a) do not apply to an item acquired under a prime contract if—

(1) The offeror has certified, and subsequently demonstrates, that the offeror and its subcontractor(s) will individually or collectively enter into a contractual agreement or agreements to purchase a sufficient quantity of domestically melted or produced specialty metal in accordance with the provision at 252.225–7010; and

(2) The USD(AT&L), or the Secretary of the military department concerned, determines that the item is a commercial derivative military article (defense agencies see procedures at PGI 225.7003–3). The contracting officer shall submit the offeror’s certification and a request for a determination to the appropriate official, through agency channels, and shall notify the offeror when a decision has been made.

(d) National security waiver. The USD(AT&L) may waive the restrictions at 225.7003–2 if the USD(AT&L) determines in writing that acceptance of the item is necessary to the national security interests of the United States (see procedures at PGI 225.7003–3). This authority may not be delegated.

(1) The written determination of the USD(AT&L)—

(i) Shall specify the quantity of end items to which the national security waiver applies;

(ii) Shall specify the time period over which the national security waiver applies; and

(iii) Shall be provided to the congressional defense committees before the determination is executed, except that in the case of an urgent national security requirement, the determination may be provided to the congressional defense committees up to 7 days after it is executed.

(2) After making such a determination, the USD(AT&L) will—

(i) Ensure that the contractor or subcontractor responsible for the noncompliant specialty metal develops and implements an effective plan to ensure future compliance; and

(ii) Determine whether or not the noncompliance was knowing and willful. If the USD(AT&L) determines that the noncompliance was knowing and willful, the appropriate debarring and suspending official shall consider suspending or debarring the contractor or subcontractor until such time as the contractor or subcontractor has effectively addressed the issues that led to the noncompliance.

(3) Because national security waivers will only be granted when the acquisition in question is necessary to the national security interests of the United States, the requirement for a plan will be applied as a condition subsequent, and not a condition precedent, to the granting of a waiver.

[74 FR 37636, July 29, 2009, as amended at 75 FR 48280, Aug. 10, 2010]

225.7003–4 One-time waiver.

DoD may accept articles containing specialty metals that are not in compliance with the specialty metals clause of the contract if—

(a) Final acceptance takes place before September 30, 2010;

(b) The specialty metals were incorporated into items (whether end items or components) produced, manufactured, or assembled in the United States before October 17, 2006;

(c) The contracting officer determines in writing that—

(1) It would not be practical or economical to remove or replace the specialty metals incorporated in such items or to substitute items containing compliant materials;

(2) The contractor and any subcontractor responsible for providing items containing non-compliant specialty metals have in place an effective plan to ensure compliance with the specialty metals clause of the contract for
future items produced, manufactured, or assembled in the United States; and
(3) The non-compliance was not knowing or willful;
(d) The determination is approved by—
(1) The USD(AT&L); or
(2) The service acquisition executive of the military department concerned; and
(e) Not later than 15 days after approval of the determination, the contracting officer posts a notice on the Federal Business Opportunities Web site at http://www.FedBizOpps.gov, stating that a waiver for the contract has been granted under Section 842(b) of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364).

[74 FR 37636, July 29, 2009]

225.7003–5 Solicitation provision and contract clauses.

(a) Unless the acquisition is wholly exempt from the specialty metals restrictions at 225.7003–2 because the acquisition is covered by an exception in 225.7003–3(a) or (d) (but see paragraph (d) of this subsection)—
(1) Use the clause at 252.225–7008, Restriction on Acquisition of Specialty Metals, in solicitations and contracts that—
(i) Exceed the simplified acquisition threshold; and
(ii) Require the delivery of specialty metals as end items.
(2) Use the clause at 252.225–7009, Restriction on Acquisition of Certain Articles Containing Specialty Metals, in solicitations and contracts that—
(i) Exceed the simplified acquisition threshold; and
(ii) Require delivery of any of the following items, or components of the following items, if such items or components contain specialty metal:
(A) Aircraft.
(B) Missile or space systems.
(C) Ships.
(D) Tank or automotive items.
(E) Weapon systems.
(F) Ammunition.
(b) Use the provision at 252.225–7010, Commercial Derivative Military Article—Specialty Metals Compliance Certificate, in solicitations—
(1) That contain the clause at 252.225–7009; and
(2) For which the contracting officer anticipates that one or more offers of commercial derivative military articles may be received.
(c) If an agency cannot reasonably determine at time of acquisition whether some or all of the items will be used in support of combat operations or in support of contingency operations, the contracting officer should not rely on the exception at 225.7003–3(a)(2) or (3), but should include the appropriate specialty metals clause or provision in the solicitation and contract.
(d) If the solicitation and contract require delivery of a variety of contract line items containing specialty metals, but only some of the items are subject to domestic specialty metals restrictions, identify in the Schedule those items that are subject to the restrictions.

[74 FR 37636, July 29, 2009; 75 FR 48280, Aug. 10, 2010]

225.7004 Restriction on acquisition of foreign buses.

225.7004–1 Restriction.

In accordance with 10 U.S.C. 2354, do not acquire a multipassenger motor vehicle (bus) unless it is manufactured in the United States or Canada.

[68 FR 15627, Mar. 31, 2003]

225.7004–2 Applicability.

Apply this restriction if the buses are purchased, leased, rented, or made available under contracts for transportation services.

[68 FR 15627, Mar. 31, 2003]

225.7004–3 Exceptions.

This restriction does not apply in any of the following circumstances:
(a) Buses manufactured outside the United States and Canada are needed for temporary use because buses manufactured in the United States or Canada are not available to satisfy requirements that cannot be postponed. Such use may not, however, exceed the lead time required for acquisition and delivery of buses manufactured in the United States or Canada.
(b) The requirement for buses is temporary in nature. For example, to meet a special, nonrecurring requirement or a sporadic and infrequent recurring requirement, buses manufactured outside the United States and Canada may be used for temporary periods of time. Such use may not, however, exceed the period of time needed to meet the special requirement.

(c) Buses manufactured outside the United States and Canada are available at no cost to the U.S. Government.

(d) The acquisition is for an amount at or below the simplified acquisition threshold.

[68 FR 15627, Mar. 31, 2003]

225.7004–4 Waiver.

The waiver criteria at 225.7008(a) apply to this restriction.

[68 FR 15627, Mar. 31, 2003, as amended at 74 FR 37639, July 29, 2009]

225.7005 Restriction on certain chemical weapons antidote.

225.7005–1 Restriction.

In accordance with 10 U.S.C. 2534, do not acquire chemical weapons antidote contained in automatic injectors, or the components for such injectors, unless the chemical weapons antidote or component is manufactured in the United States or Canada by a company that—

(a) Has received all required regulatory approvals; and

(b) Has the plant, equipment, and personnel to perform the contract in the United States or Canada at the time of contract award.

[74 FR 68384, Dec. 24, 2009]

225.7005–2 Exception.

This restriction does not apply if the acquisition is for an amount at or below the simplified acquisition threshold.

[68 FR 15627, Mar. 31, 2003]

225.7005–3 Waiver.

The waiver criteria at 225.7008(a) apply to this restriction.

[68 FR 15627, Mar. 31, 2003, as amended at 74 FR 37639, July 29, 2009]

225.7006 Restriction on air circuit breakers for naval vessels.

225.7006–1 Restriction.

In accordance with 10 U.S.C. 2534, do not acquire air circuit breakers for naval vessels unless they are manufactured in the United States or Canada.

[68 FR 15627, Mar. 31, 2003]

225.7006–2 Exceptions.

This restriction does not apply if the acquisition is—

(a) For an amount at or below the simplified acquisition threshold; or

(b) For spare or repair parts needed to support air circuit breakers manufactured outside the United States. Support includes the purchase of spare air circuit breakers when those from alternate sources are not interchangeable.

[68 FR 15627, Mar. 31, 2003]

225.7006–3 Waiver.

(a) The waiver criteria at 225.7008(a) apply to this restriction.

(b) The Under Secretary of Defense (Acquisition, Technology, and Logistics) has waived the restriction for air circuit breakers manufactured in the United Kingdom. See 225.7008(b) for applicability.

[68 FR 15627, Mar. 31, 2003, as amended at 74 FR 37639, July 29, 2009]

225.7006–4 Solicitation provision and contract clause.

(a) Use the provision at 252.225-7037, Evaluation of Offers for Air Circuit Breakers, in solicitations requiring air circuit breakers for naval vessels unless—

(1) An exception applies; or

(2) A waiver has been granted, other than the waiver for the United Kingdom, which has been incorporated into the provision.

(b) Use the clause at 252.225–7038, Restriction on Acquisition of Air Circuit Breakers, in solicitations and contracts requiring air circuit breakers for naval vessels unless—

(1) An exception applies; or
(2) A waiver has been granted, other than the waiver for the United Kingdom, which has been incorporated into the clause.

[68 FR 15627, Mar. 31, 2003]

225.7007 Restrictions on anchor and mooring chain.

225.7007–1 Restrictions.

(a) In accordance with Section 8041 of the Fiscal Year 1991 DoD Appropriations Act (Public Law 101–511) and similar sections in subsequent DoD appropriations acts, do not acquire welded shipboard anchor and mooring chain, four inches or less in diameter, unless—

(1) It is manufactured in the United States, including cutting, heat treating, quality control, testing, and welding (both forging and shot blasting process); and

(2) The cost of the components manufactured in the United States exceeds 50 percent of the total cost of components.

(b) 10 U.S.C. 2534 also restricts acquisition of welded shipboard anchor and mooring chain, four inches or less in diameter, when used as a component of a naval vessel. However, the Appropriations Act restriction described in paragraph (a) of this subsection takes precedence over the restriction of 10 U.S.C. 2534.

[68 FR 15627, Mar. 31, 2003]

225.7007–2 Waiver.

(a) The Secretary of the department responsible for acquisition may waive the restriction in 225.7007–1(a), on a case-by-case basis, if—

(1) Sufficient domestic suppliers are not available to meet DoD requirements on a timely basis; and

(2) The acquisition is necessary to acquire capability for national security purposes.

(b) Document the waiver in a written determination and findings containing—

(1) The factors supporting the waiver; and

(2) A certification that the acquisition must be made in order to acquire capability for national security purposes.

(c) Provide a copy of the determination and findings to the House and Senate Committees on Appropriations.

[68 FR 15627, Mar. 31, 2003]

225.7007–3 Contract clause.

Unless a waiver has been granted, use the clause at 252.225–7019, Restriction on Acquisition of Anchor and Mooring Chain, in solicitations and contracts requiring welded shipboard anchor or mooring chain four inches or less in diameter.

[68 FR 15627, Mar. 31, 2003]


(a) When specifically authorized by reference elsewhere in this subpart, the restrictions on certain foreign purchases under 10 U.S.C. 2534(a) may be waived as follows:

(1)(i) The Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)), without power of delegation, may waive a restriction for a particular item for a particular foreign country upon determination that—

(A) United States producers of the item would not be jeopardized by competition from a foreign country, and that country does not discriminate against defense items produced in the United States to a greater degree than the United States discriminates against defense items produced in that country; or

(B) Application of the restriction would impede cooperative programs entered into between DoD and a foreign country, or would impede the reciprocal procurement of defense items under a memorandum of understanding providing for reciprocal procurement of defense items under 225.872, and that country does not discriminate against defense items produced in the United States to a greater degree than the United States discriminates against defense items produced in that country; or

(ii) A notice of the determination to exercise the waiver authority shall be published in the Federal Register and submitted to the congressional defense committees at least 15 days before the effective date of the waiver.
(iii) The effective period of the waiver shall not exceed 1 year.
(iv) For contracts entered into prior to the effective date of a waiver, provided adequate consideration is received to modify the contract, the waiver shall be applied as directed or authorized in the waiver to—
(A) Subcontracts entered into on or after the effective date of the waiver; and
(B) Options for the procurement of items that are exercised after the effective date of the waiver, if the option prices are adjusted for any reason other than the application of the waiver.
(2) The head of the contracting activity may waive a restriction on a case-by-case basis upon execution of a determination and findings that any of the following applies:
(i) The restriction would cause unreasonable delays.
(ii) Satisfactory quality items manufactured in the United States or Canada are not available.
(iii) Application of the restriction would result in the existence of only one source for the item in the United States or Canada.
(iv) Application of the restriction is not in the national security interests of the United States.
(v) Application of the restriction would adversely affect a U.S. company.
(3) A restriction is waived when it would cause unreasonable costs. The cost of an item of U.S. or Canadian origin is unreasonable if it exceeds 150 percent of the offered price, inclusive of duty, of items that are not of U.S. or Canadian origin.
(b) In accordance with the provisions of paragraphs (a)(1)(i) through (iii) of this section, the USD(AT&L) has waived the restrictions of 10 U.S.C. 2334(a) for certain items manufactured in the United Kingdom, including air circuit breakers for naval vessels (see 225.7006). This waiver applies to—
(1) Procurements under solicitations issued on or after August 4, 1998; and
(2) Subcontracts and options under contracts entered into prior to August 4, 1998, under the conditions described in paragraph (a)(1)(iv) of this section.
[74 FR 37639, July 29, 2009]
Roller Bearings, in solicitations and contracts, unless—
(a) The items being acquired are commercial items other than ball or roller bearings acquired as end items;
(b) The items being acquired do not contain ball and roller bearings; or
(c) A waiver has been granted in accordance with 225.7009–4.
[71 FR 14112, Mar. 21, 2006]

225.7010 [Reserved]

225.7011 Restriction on carbon, alloy, and armor steel plate.

225.7011–1 Restriction.
(a) In accordance with Section 8111 of the Fiscal Year 1992 DoD Appropriations Act (Pub. L. 102–172) and similar sections in subsequent DoD appropriations acts, do not acquire any of the following types of carbon, alloy, or armor steel plate for use in a Government-owned facility or a facility under the control of (e.g., leased by) DoD, unless it is melted and rolled in the United States or Canada:
(1) Carbon, alloy, or armor steel plate in Federal Supply Class 9515.
(2) Carbon, alloy, or armor steel plate described by specifications of the American Society for Testing Materials or the American Iron and Steel Institute.
(b) This restriction—
(1) Applies to the acquisition of carbon, alloy, or armor steel plate as a finished steel mill product that may be used “as is” or may be used as an intermediate material for the fabrication of an end product; and
(2) Does not apply to the acquisition of an end product (e.g., a machine tool), to be used in the facility, that contains carbon, alloy, or armor steel plate as a component.
[71 FR 75894, Dec. 19, 2006]

225.7011–2 Waiver.
The Secretary of the department responsible for acquisition may waive this restriction, on a case-by-case basis, by certifying to the House and Senate Committees on Appropriations that—
(a) Adequate U.S. or Canadian supplies are not available to meet requirements on a timely basis; and
(b) The acquisition must be made in order to acquire capability for national security purposes.
[68 FR 15627, Mar. 31, 2003]

225.7011–3 Contract clause.
Unless a waiver has been granted, use the clause at 252.225–7030, Restriction on Acquisition of Carbon, Alloy, and Armor Steel Plate, in solicitations and contracts that—
(a) Require the delivery to the Government of carbon, alloy, or armor steel plate that will be used in a Government-owned facility or a facility under the control of DoD; or
(b) Require contractors operating in a Government-owned facility or a facility under the control of DoD to purchase carbon, alloy, or armor steel plate.

225.7012 Restriction on supercomputers.

225.7012–1 Restriction.
In accordance with Section 8112 of Public Law 100–202, and similar sections in subsequent DoD appropriations acts, do not purchase a supercomputer unless it is manufactured in the United States.
[68 FR 15627, Mar. 31, 2003]

225.7012–2 Waiver.
The Secretary of Defense may waive this restriction, on a case-by-case basis, after certifying to the Armed Services and Appropriations Committees of Congress that—
(a) Adequate U.S. supplies are not available to meet requirements on a timely basis; and
(b) The acquisition must be made in order to acquire capability for national security purposes.
[68 FR 15627, Mar. 31, 2003]

225.7012–3 Contract clause.
Unless a waiver has been granted, use the clause at 252.225–7011, Restriction on Acquisition of Supercomputers, in solicitations and contracts for the acquisition of supercomputers.
[68 FR 15627, Mar. 31, 2003]
225.7013 Restrictions on construction or repair of vessels in foreign shipyards.

In accordance with 10 U.S.C. 7309 and 7310—
(a) Do not award a contract to construct in a foreign shipyard—
(1) A vessel for any of the armed forces; or
(2) A major component of the hull or superstructure of a vessel for any of the armed forces; and
(b) Do not overhaul, repair, or maintain in a foreign shipyard, a naval vessel (or any other vessel under the jurisdiction of the Secretary of the Navy) homeported in the United States. This restriction does not apply to voyage repairs.


225.7014 Restrictions on military construction.

(a) For restriction on award of military construction contracts to be performed in the United States outlying areas in the Pacific and on Kwajalein Atoll, or in countries bordering the Arabian Gulf, see 236.273(a).

(b) For restriction on acquisition of steel for use in military construction projects, see 236.274.

[74 FR 68384, Dec. 24, 2009]

225.7015 Restriction on overseas architect-engineer services.

For restriction on award of architect-engineer contracts to be performed in Japan, in any North Atlantic Treaty Organization member country, or in countries bordering the Arabian Gulf, see 236.602–70.

[68 FR 15627, Mar. 31, 2003]

225.7016 Prohibition.

In accordance with section 821 of the National Defense Authorization Act for Fiscal Year 2011, do not include in any solicitation issued before January 1, 2015, a requirement that proposals submitted pursuant to such solicitation shall include the use of fire-resistant rayon fiber.

[76 FR 32844, June 6, 2011]
Defense Acquisition Regulations System, DOD

225.7102–4 Contract clause.

Use the clause at 252.225–7025, Restriction on Acquisition of Forgings, in solicitations and contracts, unless—

(a) The supplies being acquired do not contain any of the items listed in 225.7102–1; or

(b) An exception in 225.7102–2 applies. If an exception applies to only a portion of the acquisition, specify the excepted portion in the solicitation and contract.

Subpart 225.72—Reporting Contract Performance Outside the United States

SOURCE: 70 FR 20839, Apr. 22, 2005, unless otherwise noted.

225.7201 Policy.

(a) 10 U.S.C. 2410g requires offerors and contractors to notify DoD of any intention to perform a DoD contract outside the United States and Canada when the contract could be performed inside the United States or Canada.

(b) DoD requires contractors to report the volume, type, and nature of contract performance outside the United States.

225.7202 Exception.

This subpart does not apply to contracts for commercial items, construction, ores, natural gas, utilities, petroleum products and crudes, timber (logs), or subsistence.

225.7203 Contracting officer distribution of reports.

Follow the procedures at PGI 225.7203 for distribution of reports submitted with offers in accordance with the provision at 252.225–7003, Report of Intended Performance Outside the United States and Canada—Submission with Offer.

225.7204 Solicitation provision and contract clauses.

Except for acquisitions described in 225.7202—

(a) Use the provision at 252.225–7003, Report of Intended Performance Outside the United States and Canada—Submission with Offer, in solicitations with a value exceeding $12.5 million;

(b) Use the clause at 252.225–7004, Report of Intended Performance Outside the United States and Canada—Submission after Award, in solicitations and contracts with a value exceeding $12.5 million; and

(c) Use the clause at 252.225–7006, Quarterly Reporting of Actual Contract Performance Outside the United States, in solicitations and contracts with a value exceeding $650,000.


Subpart 225.73—Acquisitions for Foreign Military Sales

225.7300 Scope of subpart.

(a) This subpart contains policies and procedures for acquisitions for foreign military sales (FMS) under the Arms Export Control Act (22 U.S.C. Chapter 39). Section 22 of the Arms Export Control Act (22 U.S.C. 2762) authorizes DoD to enter into contracts for resale to foreign countries or international organizations.

(b) This subpart does not apply to—

(1) FMS made from inventories or stocks;

(2) Acquisitions for replenishment of inventories or stocks; or

(3) Acquisitions made under DoD cooperative logistic support supply arrangements.

(63 FR 43889, Aug. 17, 1998)

225.7301 General.

(a) The U.S. Government sells defense articles and services to foreign governments or international organizations through FMS agreements. The agreement is documented in a Letter of Offer and Acceptance (LOA) (see DoD 5105.38–M, Security Assistance Management Manual).

(b) Conduct FMS acquisitions under the same acquisition and contract management procedures used for other defense acquisitions.

(c) Follow the additional procedures at PGI 225.7301(c) for preparation of solicitations and contracts that include FMS requirements.

(d) See 229.170 for policy on contracts financed under U.S. assistance programs that involve payment of foreign
225.7302  Guidance.  
For guidance on the role of the contracting officer in FMS programs that will require an acquisition, see PGI 225.7302.  
[70 FR 73155, Dec. 9, 2005]  

225.7303  Pricing acquisitions for FMS.  
(a) Price FMS contracts using the same principles used in pricing other defense contracts. However, application of the pricing principles in FAR parts 15 and 31 to an FMS contract may result in prices that differ from other defense contract prices for the same item due to the considerations in this section. 
(b) If the foreign government has conducted a competition resulting in adequate price competition (see FAR 15.403-1(b)(1)), the contracting officer shall not require the submission of cost or pricing data. The contracting officer should consult with the foreign government through security assistance personnel to determine if adequate price competition has occurred.  

225.7303-1  Contractor sales to other foreign customers.  
If the contractor has made sales of the item required for the foreign military sale to foreign customers under comparable conditions, including quantity and delivery, price the FMS contract in accordance with FAR part 15.  

225.7303-2  Cost of doing business with a foreign government or an international organization.  
(a) In pricing FMS contracts where non-U.S. Government prices as described in 225.7303-1 do not exist, except as provided in 225.7303-5, recognize the reasonable and allocable costs of doing business with a foreign government or international organization, even though such costs might not be recognized in the same amounts in pricing other defense contracts. Examples of such costs include, but are not limited to, the following:  
(i) Selling expenses (not otherwise limited by FAR Part 31), such as— 
(ii) Maintaining international sales and service organizations;  
(iii) Sales commissions and fees in accordance with FAR Subpart 3.4;  
(iv) Configuration studies and related technical services undertaken as a direct selling effort to a foreign country. 
(2) Product support and post-delivery service expenses, such as—  
(i) Operations or maintenance training, training or tactics films, manuals, or other related data; and  
(ii) Technical field services provided in a foreign country related to accident investigations, weapon system problems, or operations/tactics enhancement, and related travel to foreign countries.  
(3) Offset costs (also see 225.7306).  
(i) A U.S. defense contractor may recover all costs incurred for offset agreements with a foreign government or international organization if the LOA is financed wholly with customer cash or repayable foreign military finance credits.  
(ii) The U.S. Government assumes no obligation to satisfy or administer the offset requirement or to bear any of the associated costs.  
(4) Costs that are the subject of advance agreement under the appropriate provisions of FAR part 31; or where the advance understanding places a limit on the amounts of cost that will be recognized as allowable in defense contract pricing, and the agreement contemplated that it will apply only to DoD contracts for the U.S. Government’s own requirement (as distinguished from contracts for FMS).  
(b) Costs not allowable under FAR Part 31 are not allowable in pricing FMS contracts, except as noted in paragraphs (c) and (e) of this subsection.  
(c) The limitations for major contractors on independent research and
development and bid and proposal (IR&D/B&P) costs for projects that are of potential interest to DoD, in 231.205-18(c)(iii), do not apply to FMS contracts, except as provided in 225.7303–5. The allowability of IR&D/B&P costs on contracts for FMS not wholly paid for from funds made available on a nonrepayable basis is limited to the contract’s allocable share of the contractor’s total IR&D/B&P expenditures. In pricing contracts for such FMS—
(1) Use the best estimate of reasonable costs in forward pricing; and
(2) Use actual expenditures, to the extent that they are reasonable, in determining final cost.
(d) Under paragraph (e)(1)(A) of Section 21 of the Arms Export Control Act (22 U.S.C. 2761), the United States must charge for administrative services to recover the estimated cost of administration of sales made under the Army Export Control Act.
(e) The limitations in 231.205–1 on allowability of costs associated with leasing Government equipment do not apply to FMS contracts.

225.7303–5 Acquisitions wholly paid for from nonrepayable funds.

(a) In accordance with 22 U.S.C. 2762(d), price FMS wholly paid for from funds made available on a nonrepayable basis on the same costing basis with regard to profit, overhead, IR&D/B&P, and other costing elements as is applicable to acquisitions of like items purchased by DoD for its own use.
(b) Direct costs associated with meeting a foreign customer’s additional or unique requirements are allowable under such contracts. Indirect burden rates applicable to such direct costs are permitted at the same rates applicable to acquisitions of like items purchased by DoD for its own use.
(c) A U.S. defense contractor may not recover costs incurred for offset agreements with a foreign government or international organization if the LOA...
is financed with funds made available on a nonrepayable basis.


225.7304 FMS customer involvement.

(a) FMS customers may request that a defense article or defense service be obtained from a particular contractor. In such cases, FAR 6.302–4 provides authority to contract without full and open competition. The FMS customer may also request that a subcontract be placed with a particular firm. The contracting officer shall honor such requests from the FMS customer only if the LOA or other written direction sufficiently fulfills the requirements of FAR Subpart 6.3.

(b) FMS customers should be encouraged to participate with U.S. Government acquisition personnel in discussions with industry to—

(1) Develop technical specifications;
(2) Establish delivery schedules;
(3) Identify any special warranty provisions or other requirements unique to the FMS customer; and
(4) Review prices of varying alternatives, quantities, and options needed to make price-performance tradeoffs.

(c) Do not disclose to the FMS customer any data, including cost or pricing data, that is contractor proprietary unless the contractor authorizes its release.

(d) Except as provided in paragraph (e)(3) of this section, the degree of FMS customer participation in contract negotiations is left to the discretion of the contracting officer after consultation with the contractor. The contracting officer shall provide an explanation to the FMS customer if its participation in negotiations will be limited. Factors that may limit FMS customer participation include situations where—

(1) The contract includes requirements for more than one FMS customer;
(2) The contract includes unique U.S. requirements; or
(3) Contractor proprietary data is a subject of negotiations.

(e) Do not allow representatives of the FMS customer to—

(1) Direct the exclusion of certain firms from the solicitation process (they may suggest the inclusion of certain firms);
(2) Interfere with a contractor’s placement of subcontracts; or
(3) Observe or participate in negotiations between the U.S. Government and the contractor involving cost or pricing data, unless a deviation is granted in accordance with Subpart 201.4.

(f) Do not accept directions from the FMS customer on source selection decisions or contract terms (except that, upon timely notice, the contracting officer may attempt to obtain any special contract provisions, warranties, or other unique requirements requested by the FMS customer).

(g) Do not honor any requests by the FMS customer to reject any bid or proposal.

(h) If an FMS customer requests additional information concerning FMS contract prices, the contracting officer shall, after consultation with the contractor, provide sufficient information to demonstrate the reasonableness of the price and reasonable responses to relevant questions concerning contract price. This information—

(1) May include tailored responses, top-level pricing summaries, historical prices, or an explanation of any significant differences between the actual contract price and the estimated contract price included in the initial LOA; and
(2) May be provided orally, in writing, or by any other method acceptable to the contracting officer.

[67 FR 70325, Nov. 22, 2002]

225.7305 Limitation of liability.

Advise the contractor when the foreign customer will assume the risk for loss or damage under the appropriate limitation of liability clause(s) (see FAR Subpart 46.8). Consider the costs of necessary insurance, if any, obtained by the contractor to cover the risk of loss or damage in establishing the FMS contract price.

225.7306 Offset arrangements.
In accordance with the Presidential policy statement of April 16, 1990, DoD does not encourage, enter into, or commit U.S. firms to FMS offset arrangements. The decision whether to engage in offsets, and the responsibility for negotiating and implementing offset arrangements, resides with the companies involved. (Also see 225.7303–2(a)(3).)

[70 FR 73155, Dec. 9, 2005]

225.7307 Contract clauses.
(a) Use the clause at 252.225–7027, Restriction on Contingent Fees for Foreign Military Sales, in solicitations and contracts for FMS. Insert in paragraph (b)(1) of the clause the name(s) of any foreign country customer(s) listed in 225.7303–4(b).
(b) Use the clause at 252.225–7028, Exclusionary Policies and Practices of Foreign Governments, in solicitations and contracts for the purchase of supplies and services for international military education training and FMS.


Subpart 225.74—Defense Contractors Outside the United States

Source: 70 FR 23801, May 5, 2005, unless otherwise noted.

225.7401 Contracts requiring performance or delivery in a foreign country.
(a) If an acquisition requires performance of work in a foreign country by contractor personnel other than host country personnel, or delivery of items to a Unified Combatant Command designated operational area, follow the procedures at PGI 225.7401(a).
(b) For work performed in Germany, eligibility for logistics support or base privileges of contractor employees is governed by U.S.-German bilateral agreements. Follow the procedures in Army in Europe Regulation 715–9, available at http://www.per.hqsareur.army.mil/cpd/docper/ GermanyDefault.aspx.

(c) For work performed in Japan or Korea, see PGI 225.7401(c) for information on bilateral agreements and policy relating to contractor employees in Japan or Korea.


225.7402 Contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States.
For additional information on contractor personnel authorized to accompany the U.S. Armed Forces, see PGI 225.7402.

[73 FR 16774, Mar. 31, 2008]

225.7402–1 Scope.
(a) This section applies to contracts that involve contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States in—
(1) Contingency operations;
(2) Humanitarian or peacekeeping operations; or
(3) Other military operations or military exercises, when designated by the combatant commander.
(b) Any of the types of operations listed in paragraph (a) of this subsection may include stability operations such as—
(1) Establishment or maintenance of a safe and secure environment; or
(2) Provision of emergency infrastructure reconstruction, humanitarian relief, or essential governmental services (until feasible to transition to local government).

[73 FR 16774, Mar. 31, 2008]

225.7402–2 Definition.
See PGI 225.7402–2 for additional information on designated operational areas.

[73 FR 16774, Mar. 31, 2008]

225.7402–3 Government support.
(a) Government support that may be authorized or required for contractor personnel performing in a designated operational area may include, but is
225.7402–4  Law of war training.

(a) Basic training. Basic law of war training is required for all contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States. The basic training normally will be provided through a military-run training center. The contracting officer may authorize the use of an alternate basic training source, provided the servicing DoD legal advisor concurs with the course content. An example of an alternate source of basic training is the Web-based training provided by the Defense Acquisition University at https://acc.dau.mil/CommunityBrowser.aspx?id=18014&lang=en-US.

(b) Advanced law of war training. (1) The types of personnel that must obtain advanced law of war training include the following:

(i) Private security contractors.

(ii) Security guards in or near areas of military operations.

(iii) Interrogators, linguists, interpreters, guards, report writers, information technology technicians, or others who will come into contact with enemy prisoners of war, civilian internees, retained persons, other detainees, terrorists, or criminals who are captured, transferred, confined, or detained during or in the aftermath of hostilities.

(iv) Other personnel when deemed necessary by the contracting officer.

(2) If contractor personnel will be required to obtain advanced law of war training, the solicitation and contract shall specify—

(i) The types of personnel subject to advanced law of war training requirements;

(ii) Whether the training will be provided by the Government or the contractor;

(iii) If the training will be provided by the Government, the source of the training; and

(iv) If the training will be provided by the contractor, a requirement for coordination of the content with the servicing DoD legal advisor to ensure
that training content is commensurate with the duties and responsibilities of the personnel to be trained.

[74 FR 2420, Jan. 15, 2009]

225.7402–5 Contract clauses.

(a) Use the clause at 252.225–7040, Contractor Personnel Authorized to Accompany U.S. Armed Forces Deployed Outside the United States, instead of the clause at FAR 52.225–19, Contractor Personnel in a Designated Operational Area or Supporting a Diplomatic or Consular Mission Outside the United States, in solicitations and contracts that authorize contractor personnel to accompany U.S. Armed Forces deployed outside the United States in—

(1) Contingency operations;

(2) Humanitarian or peacekeeping operations; or

(3) Other military operations or military exercises, when designated by the combatant commander.

(b) For additional guidance on clauses to consider when using the clause at 252.225–7040, see PGI 225.7402–5(b).


225.7403 Antiterrorism/force protection.

225.7403–1 General.

Information and guidance pertaining to DoD antiterrorism/force protection policy for contracts that require performance or travel outside the United States can be obtained from the offices listed in PGI 225.7403–1.


225.7403–2 Contract clause.

Use the clause at 252.225–7043, Antiterrorism/Force Protection Policy for Defense Contractors Outside the United States, in solicitations and contracts that require performance or travel outside the United States, except for contracts with—

(a) Foreign governments;

(b) Representatives of foreign governments; or

(c) Foreign corporations wholly owned by foreign governments.

225.7404 Contract administration in support of contingency operations.

For additional guidance on contract administration considerations when supporting contingency operations, see PGI 225.7404.

[76 FR 27274, May 11, 2011]

Subpart 225.75—Balance of Payments Program

SOURCE: 67 FR 20694, Apr. 26, 2002, unless otherwise noted.

225.7500 Scope of subpart.

This subpart provides policies and procedures implementing the Balance of Payments Program. It applies to contracts for the acquisition of—

(a) Supplies for use outside the United States; and

(b) Construction to be performed outside the United States.

225.7501 Policy.

Acquire only domestic end products for use outside the United States, and use only domestic construction material for construction to be performed outside the United States, including end products and construction material for foreign military sales, unless—

(a) Before issuing the solicitation—

(1) The estimated cost of the acquisition or the value of a particular construction material is at or below the simplified acquisition threshold;

(2) The end product or particular construction material is—

(i) Listed in FAR 25.104 or 225.104(a)(iii);

(ii) A petroleum product;

(iii) A spare part for foreign-manufactured vehicles, equipment, machinery, or systems, provided the acquisition is restricted to the original manufacturer or its supplier;

(iv) An industrial gas;

(v) A brand drug specified by the Defense Medical Material Board; or

(vi) Information technology that is a commercial item, using fiscal year 2004 or subsequent funds (Section 535 of Division F of the Consolidated Appropriations Act, 2004 (Pub. L. 108–199), and the same provision in subsequent appropriations acts);
225.7502 Procedures.

If the Balance of Payments Program applies to the acquisition, follow the procedures at PGI 225.7502.

[71 FR 62566, Oct. 26, 2006]

225.7503 Contract clauses.

Unless the entire acquisition is exempt from the Balance of Payments Program—

(a)(1) Use the clause at 252.225-7044, Balance of Payments Program—Construction Material, in solicitations and contracts for construction to be performed outside the United States with a value greater than the simplified acquisition threshold but less than $7,804,000.

(b)(1) Use the clause at 252.225-7045, Balance of Payments Program—Construction Material Under Trade Agreements, in solicitations and contracts for construction to be performed outside the United States with a value of $7,804,000 or more.

(c) For acquisitions with a value of $7,804,000 or more, but less than $9,110,318, use the clause with its Alternate I, unless the acquisition is in support of operations in Afghanistan.

(2) For acquisitions with a value of $9,110,318 or more and is in support of operations in Afghanistan, use the clause with its Alternate II.
(4) If the acquisition is for construction with a value of $7,804,000 or more, but less than $9,110,318, and is in support of operations in Afghanistan, use the clause with its Alternate III.


Subpart 225.76—Secondary Arab Boycott of Israel

SOURCE: 71 FR 39006, July 11, 2006, unless otherwise noted.

225.7601 Restriction.
In accordance with 10 U.S.C. 2410i, do not enter into a contract with a foreign entity unless it has certified that it does not comply with the secondary Arab boycott of Israel.

225.7602 Procedures.
For contracts awarded to the Canadian Commercial Corporation (CCC), the CCC will submit a certification from its proposed subcontractor with the other required precontractual information (see 225.870).

225.7603 Exceptions.
This restriction does not apply to—
(a) Purchases at or below the simplified acquisition threshold;
(b) Contracts for consumable supplies, provisions, or services for the support of United States forces or of allied forces in a foreign country; or
(c) Contracts pertaining to the use of any equipment, technology, data, or services for intelligence or classified purposes, or to the acquisition or lease thereof, in the interest of national security.

225.7604 Waivers.
The Secretary of Defense may waive this restriction on the basis of national security interests. To request a waiver, follow the procedures at PG1 225.7604.

[71 FR 62566, Oct. 26, 2006]

225.7605 Solicitation provision.
Unless an exception applies or a waiver has been granted in accordance with 225.7604, use the provision at 252.225–7031, Secondary Arab Boycott of Israel, in all solicitations.

Subpart 225.77—Acquisitions in Support of Operations in Iraq or Afghanistan

SOURCE: 73 FR 53153, Sept. 15, 2008, unless otherwise noted.

225.7700 Scope.
This subpart implements—
(a) Section 886 and section 892 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110–181); and
(b) The determinations by the Deputy Secretary of Defense regarding participation of the countries of the South Caucasus or Central and South Asia in acquisitions in support of operations in Afghanistan.

[75 FR 81918, Dec. 29, 2010]

225.7701 Definitions.
As used in this subpart—
Product from Iraq or Afghanistan means a product that is mined, produced, or manufactured in Iraq or Afghanistan.
Service from Iraq or Afghanistan means a service (including construction) that is performed in Iraq or Afghanistan predominantly by citizens or permanent resident aliens of Iraq or Afghanistan.
Small arms means pistols and other weapons less than 0.50 caliber.
Source from Iraq or Afghanistan means a source that—
(1) Is located in Iraq or Afghanistan; and
(2) Offers products or services from Iraq or Afghanistan.

[73 FR 53153, Sept. 15, 2008, as amended at 75 FR 18039, Apr. 8, 2010]

225.7702 Acquisition of small arms.
(a) Except as provided in paragraph (b) of this section, when acquiring small arms for assistance to the Army of Iraq, the Army of Afghanistan, the Iraqi Police Forces, the Afghan Police Forces, or other Iraqi or Afghani security organizations—
(1) Use full and open competition to the maximum extent practicable, consistent with the provisions of 10 U.S.C. 2304;
(2) If use of other than full and open competition is justified in accordance with FAR Subpart 6.3, ensure that—
(i) No responsible U.S. manufacturer is excluded from competing for the acquisition; and
(ii) Products manufactured in the United States are not excluded from the competition; and
(3) If the exception at FAR 6.302–2 (unusual and compelling urgency) applies, do not exclude responsible U.S. manufacturers or products manufactured in the United States from the competition for the purpose of administrative expediency. However, such an offer may be rejected if it does not meet delivery schedule requirements.

(b) Paragraph (a)(2) of this section does not apply when—
(1) The exception at FAR 6.302–1 (only one or a limited number of responsible sources) applies, and the only responsible source or sources are not U.S. manufacturers or are not offering products manufactured in the United States; or
(2) The exception at FAR 6.302–4 (international agreement) applies, and United States manufacturers or products manufactured in the United States are not the source(s) specified in the written directions of the foreign government reimbursing the agency for the cost of the acquisition of the property or services for such government.

225.7703 Acquisition of products or services other than small arms.

225.7703–1 Acquisition procedures.

(a) Subject to the requirements of 225.7703–2, a product or service (including construction), other than small arms, in support of operations in Iraq or Afghanistan, may be acquired by—
(1) Providing a preference for products or services from Iraq or Afghanistan in accordance with the evaluation procedures at 225.7703–3;
(2) Limiting competition to products or services from Iraq or Afghanistan; or
(3) Using procedures other than competitive procedures to award a contract to a particular source or sources from Iraq or Afghanistan. When other than competitive procedures are used, the contracting officer shall document the contract file with the rationale for selecting the particular source(s).

(b) For acquisitions conducted using a procedure specified in paragraph (a) of this subsection, the justification and approval addressed in FAR Subpart 6.3 is not required.

225.7703–2 Determination requirements.

Before use of a procedure specified in 225.7703–1(a), a written determination must be prepared and executed as follows:

(a) For products or services to be used only by the military forces, police, or other security personnel of Iraq or Afghanistan, the contracting officer shall—
(1) Determine in writing that the product or service is to be used only by the military forces, police, or other security personnel of Iraq or Afghanistan; and
(2) Include the written determination in the contract file.

(b) For products or services not limited to use by the military forces, police, or other security personnel of Iraq or Afghanistan, the following requirements apply:

(1) The appropriate official specified in paragraph (b)(2) of this subsection must determine in writing that it is in the national security interest of the United States to use a procedure specified in 225.7703–1(a), because—
(i) The procedure is necessary to provide a stable source of jobs in Iraq or Afghanistan; and
(ii) Use of the procedure will not adversely affect—
(A) Operations in Iraq or Afghanistan (including security, transition, reconstruction, and humanitarian relief activities); or
(B) The U.S. industrial base. The authorizing official generally may presume that there will not be an adverse effect on the U.S. industrial base. However, when in doubt, the authorizing official should coordinate with the applicable subject matter expert specified in PGI 225.7703–2(b).

(2) Determinations may be made for an individual acquisition or a class of acquisitions meeting the criteria in paragraph (b)(1) of this subsection as follows:
(i) The head of the contacting activity is authorized to make a determination that applies to an individual acquisition with a value of less than $85.5 million.

(ii) The Director, Defense Procurement and Acquisition Policy, and the following officials, without power of re-delegation, are authorized to make a determination that applies to an individual acquisition with a value of $85.5 million or more or to a class of acquisitions:

(A) Defense Logistics Agency Component Acquisition Executive.

(B) Army Acquisition Executive.

(C) Navy Acquisition Executive.

(D) Air Force Acquisition Executive.

(E) Commander of the Joint Contracting Command—Iraq/Afghanistan (JCC–I/A).

(3) The contracting officer—

(i) Shall include the applicable written determination in the contract file; and

(ii) Shall ensure that each contract action taken pursuant to the authority of a class determination is within the scope of the class determination, and shall document the contract file for each action accordingly.

(c) See PGI 225.7703–2(c) for formats for use in preparation of the determinations required by this subsection.


225.7703–4 Reporting requirement.

The following organizations shall submit periodic reports to the Deputy Director, Contingency Contracting & Acquisition Policy, Defense Procurement and Acquisition Policy, in accordance with PGI 225.7703–4, to address the organization’s use of the procedures authorized by this section:

(a) The Joint Contracting Command (Iraq/Afghanistan).

(b) The Department of the Army, except for contract actions reported by the Joint Contracting Command.

(c) The Department of the Navy.

(d) The Department of the Air Force.

(e) The Defense Logistics Agency.

(f) The other defense agencies and other DoD components that execute reportable contract actions.

[73 FR 53153, Sept. 15, 2008, as amended at 75 FR 18039, Apr. 8, 2010]

225.7703–5 Solicitation provisions and contract clauses.

(a) Use the provision at 252.225–7023, Preference for Products or Services from Iraq or Afghanistan, in solicitations that provide a preference for products or services from Iraq or Afghanistan, in solicitations that provide a preference for products or services from Iraq or Afghanistan, in accordance with 225.7703–1(a)(1). The contracting officer—

(1) May modify the provision to provide a preference exclusively for products or services from Afghanistan in accordance with 225.7703–1(a)(1). The contracting officer—

(1) May modify the provision to provide a preference exclusively for products or services from Afghanistan in accordance with 225.7703–1(a)(1). The contracting officer—

(1) May modify the provision to provide a preference exclusively for products or services from Afghanistan in accordance with 225.7703–1(a)(1). The contracting officer—

(1) May modify the provision to provide a preference exclusively for products or services from Afghanistan in accordance with 225.7703–1(a)(1). The contracting officer—

(2) May modify the 50 percent evaluation factor in accordance with contracting office procedures.
(b) Use the clause at 252.225–7024, Requirement for Products or Services from Iraq or Afghanistan, in solicitations that include the provision at 252.225–7023, Preference for Products or Services from Iraq or Afghanistan, and in the resulting contract. If the provision at 252.225–7023 has been modified to provide a preference exclusively for Iraq or exclusively for Afghanistan, in accordance with paragraph (a)(1) of this subsection, the clause at 252.225–7024 shall be modified accordingly.

(c)(1) Use the clause at 252.225–7026, Acquisition Restricted to Products or Services from Iraq or Afghanistan, in solicitations and contracts that—

(i) Are restricted to the acquisition of products or services from Iraq or Afghanistan in accordance with 225.7703–1(a)(2); or

(ii) Will be directed to a particular source or sources from Iraq or Afghanistan in accordance with 225.7703–1(a)(3).

(2) The contracting officer may modify the clause to restrict the acquisition to products or services from Iraq, or to restrict the acquisition to products or services from Afghanistan, by removing “or Afghanistan” or “Iraq or”, respectively, wherever the phrase appears in the clause.

(d) When the Trade Agreements Act applies to the acquisition, use the appropriate clause and provision as prescribed at 225.1101 (5), (6), or (7).

(e) Do not use any of the following provisions or clauses in solicitations or contracts that include the provision at 252.225–7023, the clause at 252.225–7024, or the clause at 252.225–7026:


(2) 252.225–7001, Buy American Act and Balance of Payments Program.

(3) 252.225–7002, Qualifying Country Sources as Subcontractors.


(f) Do not use the following clause or provision in solicitations or contracts that include the clause at 252.225–7026:

(1) 252.225–7020, Trade Agreements Certificate.

(2) 252.225–7021, Trade Agreements.

(3) 252.225–7022, Trade Agreements Certificate—Inclusion of Iraqi End Products.

[73 FR 53133, Sept. 15, 2008, as amended at 75 FR 18039, Apr. 8, 2010]

225.7704 Acquisitions of products and services from South Caucasus/Central and South Asian (SC/CASA) state in support of operations in Afghanistan.

225.7704–1 Applicability of trade agreements.

As authorized by the United States Trade Representative, the Secretary of Defense has waived the prohibition in section 302(a) of the Trade Agreements Act (see subpart 225.4) for acquisitions by DoD, and by GSA on behalf of DoD, of products and services from SC/CASA states in direct support of operations in Afghanistan.

225.7704–2 Applicability of Balance of Payments Program.

The Deputy Secretary of Defense has determined, because of importance to national security, that it would be inconsistent with the public interest to apply the provisions of the Balance of Payments Program (see subpart 225.75) to offers of end products other than arms, ammunition, and war materials (i.e., end products listed in 225.401–70) and construction materials from the SC/CASA states that are being acquired by or on behalf of DoD in direct support of operations in Afghanistan.

225.7704–3 Solicitation provisions and contract clauses.

Appropriate solicitation provisions and contract clauses are prescribed as alternates to the Buy American-Trade Agreements-Balance of Payments Program solicitation provisions and contract clauses prescribed at 225.1101 and 225.7503.

[75 FR 81918, Dec. 29, 2010]
Defense Acquisition Regulations System, DOD 226.370–4

Subpart 225.78—Acquisitions in Support of Geographic Combatant Command’s Theater Security Cooperation Efforts

§ 225.7801 Policy.

For guidance on procurement support of the geographic combatant command’s theater security cooperation efforts, see PGI 225.78.

[76 FR 27274, May 11, 2011]

PART 226—OTHER SOCIOECONOMIC PROGRAMS

Subpart 226.1—Indian Incentive Program

Sec.
226.103 Procedures.
226.104 Contract clause.

Subpart 226.3—Historically Black Colleges and Universities and Minority Institutions

226.370 Contracting with historically black colleges and universities and minority institutions.

226.370–1 General.
226.370–2 Definitions.
226.370–3 Policy.
226.370–4 Set-aside criteria.
226.370–5 Set-aside procedures.
226.370–6 Eligibility for award.
226.370–7Protesting a representation.
226.370–8 Goals and incentives for subcontracting with HBCU/MIs.
226.370–9 Solicitation provision and contract clause.

Subpart 226.70 [Reserved]

Subpart 226.71—Preference for Local and Small Businesses

226.7100 Scope of subpart.
226.7101 Definition.
226.7102 Policy.
226.7103 Procedure.
226.7104 Other considerations.


SOURCE: 56 FR 36388, July 31, 1991, unless otherwise noted.
and there is a reasonable expectation that—
(a) Offers will be submitted by at least two responsible HBCUs or MIs that can comply with the subcontracting limitations in the clause at FAR 52.219–14, Limitations on Subcontracting;
(b) Award will be made at not more than 10 percent above fair market price; and
(c) Scientific or technological talent consistent with the demands of the acquisition will be offered.

226.370–5 Set-aside procedures.
(a) As a general rule, use competitive negotiation for HBCU/MI set-asides.
(b) When using a broad agency announcement (FAR 35.016) for basic or applied research, make partial set-asides for HBCU/MIs as explained in 235.016.
(c) Follow the special synopsis instructions in 205.207(d). Interested HBCU/MIs must provide evidence of their capability to perform the contract, and a positive statement of their eligibility, within 15 days of publication of the synopsis in order for the acquisition to proceed as an HBCU/MI set-aside.
(d) Cancel the set-aside if the low responsible offer exceeds the fair market price (defined in FAR part 19) by more than 10 percent.

226.370–6 Eligibility for award.
(a) To be eligible for award as an HBCU or MI under the preference procedures of this subpart, an offeror must—
(1) Be an HBCU or MI, as defined in the clause at 252.226–7000, Notice of Historically Black College or University and Minority Institution Set-Aside, at the time of submission of its initial offer including price; and
(2) Provide the contracting officer with evidence of its HBCU or MI status upon request.
(b) The contracting officer shall accept an offeror’s HBCU or MI status under the provision at FAR 52.226–2, Historically Black College or University and Minority Institution Representation, unless—
(1) Another offeror challenges the status; or
(2) The contracting officer has reason to question the offeror’s HBCU/MI status. (A list of HBCU/MIs is published periodically by the Department of Education.)

226.370–7 Protesting a representation.
Any offeror or other interested party may challenge an offeror’s HBCU or MI representation by filing a protest with the contracting officer. The protest must contain specific detailed evidence supporting the basis for the challenge. Such protests are handled in accordance with FAR 33.103 and are decided by the contracting officer.

226.370–8 Goals and incentives for subcontracting with HBCU/MIs.
(a) In reviewing subcontracting plans submitted under the clause at FAR 52.219–9, Small Business Subcontracting Plan, the contracting officer shall—
(1) Ensure that the contractor included anticipated awards to HBCU/MIs in the small disadvantaged business goal; and
(2) Consider whether subcontracts are contemplated that involve research or studies of the type normally performed by higher educational institutions.
(b) The contracting officer may, when contracting by negotiation, use in solicitations and contracts a clause similar to the clause at FAR 52.219–10, Incentive Subcontracting Program, when a subcontracting plan is required and inclusion of a monetary incentive is, in the judgment of the contracting officer, necessary to increase subcontracting opportunities for HBCU/MIs. The clause should include a separate goal for HBCU/MIs.

226.370–9 Solicitation provision and contract clause.
(a) Use the clause at 252.226–7000, Notice of Historically Black College or University and Minority Institution Set-Aside, in solicitations and contracts set aside for HBCU/MIs.
(b) Use the provision at FAR 52.226–2, Historically Black College or University and Minority Institution Representation, in solicitations set aside for HBCU/MIs.
Subpart 226.71—Preference for Local and Small Businesses

Source: 59 FR 12192, Mar. 16, 1994, unless otherwise noted.

226.7100 Scope of subpart.


60 FR 5870, Jan. 31, 1995

226.7101 Definition.

Vicinity, as used in this subpart, means the county or counties in which the military installation to be closed or realigned is located and all adjacent counties, unless otherwise defined by the agency head.

60 FR 29499, June 5, 1995

226.7102 Policy.

Businesses located in the vicinity of a military installation that is being closed or realigned under a base closure law, including 10 U.S.C. 2687, and small and small disadvantaged businesses shall be provided maximum practicable opportunity to participate in acquisitions that support the closure or realignment, including acquisitions for environmental restoration and mitigation.


226.7103 Procedure.

In considering acquisitions for award through the section 8(a) program (subpart 219.8 and FAR subpart 19.8) or in making set-aside decisions under subpart 219.5 and FAR subpart 19.5 for acquisitions in support of a base closure or realignment, the contracting officer shall—

(a) Determine whether there is a reasonable expectation that offers will be received from responsible business concerns located in the vicinity of the military installation that is being closed or realigned.

(b) If offers cannot be expected from business concerns in the vicinity, proceed with section 8(a) or set-aside consideration as otherwise indicated in part 219 and FAR part 19.

(c) If offers can be expected from business concerns in the vicinity—

1. Consider section 8(a) only if at least one eligible 8(a) contractor is located in the vicinity.

2. Set aside the acquisition for small business only if at least one of the expected offers is from a small business located in the vicinity.


226.7104 Other considerations.

When planning for contracts for services related to base closure activities at a military installation affected by a closure or realignment under a base closure law, contracting officers shall consider including, as a factor in source selection, the extent to which offerors specifically identify and commit, in their proposals, to a plan to hire residents of the vicinity of the military installation that is being closed or realigned.

60 FR 61598, Nov. 30, 1995
SUBCHAPTER E—GENERAL CONTRACTING REQUIREMENTS

PART 227—PATENTS, DATA, AND COPYRIGHTS

Subpart 227.3—Patent Rights Under Government Contracts

Sec.
227.303 Contract clauses.
227.304 Procedures.
227.304–1 General.

Subpart 227.4—Rights in Data and Copyrights

227.400 Scope of subpart.

Subpart 227.6—Foreign License and Technical Assistance Agreements

227.670 Scope.
227.671 General.
227.673 Foreign license and technical assistance agreements between the Government and domestic concerns.
227.674 Foreign license and technical assistance agreements between the Government and a foreign government or concern.
227.675 Foreign license and technical assistance agreements between a domestic concern and a foreign government or concern.
227.675–1 International Traffic in Arms Regulations.
227.676 Foreign patent interchange agreements.

Subpart 227.70—Infringement Claims, Licenses, and Assignments

227.700 Scope.
227.701 Policy.
227.702 Statutes pertaining to administrative claims of infringement.
227.703 Claims for copyright infringement.
227.704 Requirements for filing an administrative claim for patent infringement.
227.705 Indirect notice of patent infringement claims.
227.706 Investigation and administrative disposition of claims.
227.707 Notification and disclosure to claimants.
227.708 Settlement of indemnified claims.
227.709 Patent releases, license agreements, and assignments.
227.709–1 Required clauses.
227.709–2 Clauses to be used when applicable.
227.709–3 Additional clauses—contracts except running royalty contracts.
227.709–4 Additional clauses—contracts providing for payment of a running royalty.
227.710 Assignments.
227.711 Procurement of rights in inventions, patents, and copyrights.
227.712 Contract format.
227.713 Recordation.

Subpart 227.71—Rights in Technical Data

227.7100 Scope of subpart.
227.7101 Definitions.
227.7102 Commercial items, components, or processes.
227.7102–1 Policy.
227.7102–2 Rights in technical data.
227.7102–3 Government right to review, verify, challenge and validate asserted restrictions.
227.7102–4 Contract clauses.
227.7103 Noncommercial items or processes.
227.7103–1 Policy.
227.7103–2 Acquisition of technical data.
227.7103–3 Early identification of technical data to be furnished to the Government with restrictions on use, reproduction or disclosure.
227.7103–4 License rights.
227.7103–5 Government rights.
227.7103–6 Contract clauses.
227.7103–7 Use and non-disclosure agreement.
227.7103–8 Deferred delivery and deferred ordering of technical data.
227.7103–9 Copyright.
227.7103–10 Contractor identification and marking of technical data to be furnished with restrictive markings.
227.7103–11 Contractor procedures and records.
227.7103–12 Government right to establish conformity of markings.
227.7103–13 Government right to review, verify, challenge and validate asserted restrictions.
227.7103–14 Conformity, acceptance, and warranty of technical data.
227.7103–15 Subcontractor rights in technical data.
227.7103–16 Providing technical data to foreign governments, foreign contractors, or international organizations.
227.7103–17 Overseas contracts with foreign sources.
227.7104 Contracts under the Small Business Innovation Research (SBIR) Program.
227.7105 Contracts for the acquisition of existing works.
227.7105–1 General.
227.7105–2 Acquisition of existing works without modification.
227.7105–3 Acquisition of modified existing works.
Defense Acquisition Regulations System, DOD

227.7106 Contracts for special works.
227.7107 Contracts for architect-engineer services.
227.7107–1 Architectural designs and data clauses for architect-engineer or construction contracts.
227.7107–2 Contracts for construction supplies and research and development work.
227.7107–3 Approval of restricted designs.
227.7108 Contractor data repositories.

Subpart 227.72—Rights in Computer Software and Computer Software Documentation

227.7200 Scope of subpart.
227.7201 Definitions.
227.7202 Commercial computer software and commercial computer software documentation.
227.7202–1 Policy.
227.7202–2 [Reserved]
227.7202–3 Rights in commercial computer software or commercial computer software documentation.
227.7202–4 Contract clause.
227.7203 Noncommercial computer software and noncommercial computer software documentation.
227.7203–1 Policy.
227.7203–2 Acquisition of noncommercial computer software and computer software documentation.
227.7203–3 Early identification of computer software or computer software documentation to be furnished to the Government with restrictions on use, reproduction or disclosure.
227.7203–4 License rights.
227.7203–5 Government rights.
227.7203–6 Contract clauses.
227.7203–7 [Reserved]
227.7203–8 Deferred delivery and deferred ordering of computer software and computer software documentation.
227.7203–9 Copyright.
227.7203–10 Contractor identification and marking of computer software or computer software documentation to be furnished with restrictive markings.
227.7203–11 Contractor procedures and records.
227.7203–12 Government right to establish conformity of markings.
227.7203–13 Government right to review, verify, challenge, and validate asserted restrictions.
227.7203–14 Conformity, acceptance, and warranty of computer software and computer software documentation.
227.7203–15 Subcontractor rights in computer software or computer software documentation.
227.7203–16 Providing computer software or computer software documentation to foreign governments, foreign contractors, or international organizations.
227.7203–17 Overseas contracts with foreign sources.
227.7204 Contracts under the Small Business Innovative Research Program.
227.7205 Contracts for special works.
227.7206 Contracts for architect-engineer services.
227.7207 Contractor data repositories.


Source: 56 FR 36389, July 31, 1991, unless otherwise noted.

Subpart 227.3—Patent Rights Under Government Contracts

227.303 Contract clauses.

(1) Use the clause at 252.227–7039, Patents—Reporting of Subject Inventions, in solicitations and contracts containing the clause at FAR 52.227–11, Patent Rights—Ownership by the Contractor.

(2)(i) Use the clause at 252.227–7038, Patent Rights—Ownership by the Contractor (Large Business), instead of the clause at FAR 52.227–11, in solicitations and contracts for experimental, developmental, or research work if—

(A) The contractor is other than a small business concern or nonprofit organization; and

(B) No alternative patent rights clause is used in accordance with FAR 27.303(c) or (e).

(ii) Use the clause with its Alternate I if—

(A) The acquisition of patent rights for the benefit of a foreign government is required under a treaty or executive agreement;

(B) The agency head determines at the time of award that it would be in the national interest to acquire the right to sublicense foreign governments or international organizations pursuant to any existing or future treaty or agreement; or

(C) Other rights are necessary to effect a treaty or agreement, in which case Alternate I may be appropriately modified.

(iii) Use the clause with its Alternate II in long-term contracts if necessary to effect treaty or agreements to be entered into.

[72 FR 69159, Dec. 7, 2007]
227.304 Procedures.

227.304-1 General.

Interim and final invention reports and notification of all subcontracts for experimental, developmental, or research work (FAR 27.304-1(e)(2)(ii)) may be submitted on DD Form 882, Report of Inventions and Subcontracts.

[56 FR 36389, July 31, 1991, as amended at 57 FR 53600, Nov. 12, 1992]

Subpart 227.4—Rights in Data and Copyrights

227.400 Scope of subpart.

DoD activities shall use the guidance in subparts 227.71 and 227.72 instead of the guidance in FAR subpart 27.4.

[60 FR 33471, June 28, 1995]

Subpart 227.6—Foreign License and Technical Assistance Agreements

227.670 Scope.

This subpart prescribes policy with respect to foreign license and technical assistance agreements.

227.671 General.

In furtherance of the Military Assistance Program or for other national defense purposes, the Government may undertake to develop or encourage the development of foreign additional sources of supply. The development of such sources may be accomplished by an agreement, often called a foreign licensing agreement or technical assistance agreement, wherein a domestic concern, referred to in this subpart as a "primary source," agrees to furnish to a foreign concern or government, herein referred to as a "second source," foreign patent rights; technical assistance in the form of data, know-how, trained personnel of the primary source, instruction and guidance of the personnel of the second source, jigs, dies, fixtures, or other manufacturing aids, or such other assistance, information, rights, or licenses as are needed to enable the second source to produce particular supplies or perform particular services. Agreements calling for one or more of the foregoing may be entered into between the primary source and the Government, a foreign government, or a foreign concern. The consideration for providing such foreign license and technical assistance may be in the form of a lump sum payment, payments for each item manufactured by the second source, an agreement to exchange data and patent rights on improvements made to the article or service, capital stock transactions, or any combination of these. The primary source's bases for computing such consideration may include actual costs; charges for the use of patents, data, or know-how reflecting the primary source's investment in developing and engineering and production techniques; and the primary source's "price" for setting up a second source. Such agreements often refer to the compensation to be paid as a royalty or license fee whether or not patent rights are involved.

227.672 Policy.

It is Government policy not to pay in connection with its contracts, and not to allow to be paid in connection with contracts made with funds derived through the Military Assistance Program or otherwise through the United States Government, charges for use of patents in which it holds a royalty-free license or charges for data which it has a right to use and disclose to others, or which is in the public domain, or which the Government has acquired without restriction upon its use and disclosure to others. This policy shall be applied by the Departments in negotiating contract prices for foreign license technical assistance contracts (227.675) or supply contracts with second sources (227.674); and in commenting on such agreements when they are referred to the Department of Defense by the Department of State pursuant to section 414 of the Mutual Security Act of 1954 as amended (22 U.S.C. 1934) and the International Traffic in Arms Regulations (see 227.675).

227.673 Foreign license and technical assistance agreements between the Government and domestic concerns.

(a) Contracts between the Government and a primary source to provide
technical assistance or patent rights to a second source for the manufacture of supplies or performance of services shall, to the extent practicable, specify the rights in patents and data and any other rights to be supplied to the second source. Each contract shall provide, in connection with any separate agreement between the primary source and the second source for patent rights or technical assistance relating to the articles or services involved in the contract, that—

(1) The primary source and his subcontractors shall not make, on account of any purchases by the Government or by others with funds derived through the Military Assistance Program or otherwise through the Government, any charge to the second source for royalties or amortization for patents or inventions in which the Government holds a royalty-free license; or data which the Government has the right to possess, use, and disclose to others; or any technical assistance provided to the second source for which the Government has paid under a contract between the Government and the primary source; and

(2) The separate agreement between the primary and second source shall include a statement referring to the contract between the Government and the primary source, and shall conform to the requirements of the International Traffic in Arms Regulations (see 227.675–1).

(b) The following factors, among others, shall be considered in negotiating the price to be paid the primary source under contracts within (a) of this section:

(1) The actual cost of providing data, personnel, manufacturing aids, samples, spare parts, and the like;

(2) The extent to which the Government has contributed to the development of the supplies or services, and to the methods of manufacture or performance, through past contracts for research and development or for manufacture of the supplies or performance of the services; and

(3) The Government’s patent rights and rights in data relating to the supplies or services in and to the methods of manufacture or of performance.

227.674 Supply contracts between the Government and a foreign government or concern.

In negotiating contract prices with a second source, including the redetermination of contract prices, or in determining the allowability of costs under a cost-reimbursement contract with a second source, the contracting officer:

(a) Shall obtain from the second source a detailed statement (see FAR 27.204–1(a)(2)) of royalties, license fees, and other compensation paid or to be paid to a primary source (or any of his subcontractors) for patent rights, rights in data, and other technical assistance provided to the second source, including identification and description of such patents, data, and technical assistance; and

(b) Shall not accept or allow charges which in effect are—

(1) For royalties or amortization for patents or inventions in which the Government holds a royalty-free license; or

(2) For data which the Government has a right to possess, use, and disclose to others; or

(3) For any technical assistance provided to the second source for which the Government has paid under a contract between the Government and a primary source.

227.675 Foreign license and technical assistance agreements between a domestic concern and a foreign government or concern.

227.675–1 International Traffic in Arms Regulations.

Pursuant to section 414 of the Mutual Security Act of 1954, as amended (22 U.S.C. 1934), the Department of State controls the exportation of data relating to articles designated in the United States Munitions List as arms, ammunition, or munitions of war. (The Munitions List and pertinent procedures are set forth in the International Traffic in Arms Regulations, 22 CFR, et seq.) Before authorizing such exportation, the Department of State generally requests comments from the Department of Defense. On request of the Office of the Assistant Secretary of Defense (International Security Affairs), each Department shall submit comments.
thereon as the basis for a Department of Defense reply to the Department of State.


(a) In reviewing foreign license and technical assistance agreements between primary and second sources, the Department concerned shall, insofar as its interests are involved, indicate whether the agreement meets the requirements of §§124.07-124.10 of the International Traffic in Arms Regulations or in what respects it is deficient. Paragraphs (b) through (g) of this subsection provide general guidance.

(b) When it is reasonably anticipated that the Government will purchase from the second source the supplies or services involved in the agreement, or that Military Assistance Program funds will be provided for the procurement of the supplies or services, the following guidance applies.

(1) If the agreement specifies a reduction in charges thereunder, with respect to purchases by or for the Government or by others with funds derived through the Military Assistance Program or otherwise through the Government, in recognition of the Government’s rights in patents and data, the Department concerned shall evaluate the amount of the reduction to determine whether it is fair and reasonable in the circumstances, before indicating its approval.

(2) If the agreement does not specify any reduction in charges or otherwise fails to give recognition to the Government’s rights in patents or data involved, approval shall be conditioned upon amendment of the agreement to reflect a reduction, evaluated by the Department concerned as acceptable to the Government, in any charge thereunder with respect to purchases made by or for the Government or by others with funds derived through the Military Assistance Program or otherwise through the Government, in accordance with §124.10 of the International Traffic in Arms Regulations.

(3) If the agreement provides that no charge is to be made to the second source for data or patent rights to the extent of the Government’s rights, the Department concerned shall evaluate the acceptability of the provision before indicating its approval.

(4) If time or circumstances do not permit the evaluation called for in (b) (1), (2), or (3) of this subsection, the guidance in (c) of this subsection shall be followed.

(c) When it is not reasonably anticipated that the Government will purchase from the second source the supplies or services involved in the agreement nor that Military Assistance Program funds will be provided for the purchase of the supplies or services, then the following guidance applies.

(i) The agreement requires the second source to advise the primary source when he has knowledge of any purchase made or to be made from him by or for the Government or by others with funds derived through the Military Assistance Program or otherwise through the Government.

(ii) The primary source separately agrees with the Government that upon such advice to him from the second source or from the Government or otherwise as to any such a purchase or prospective purchase, he will negotiate with the Department concerned an appropriate reduction in his charges to the second source in recognition of any Government rights in patents or data; and

(iii) The agreement between the primary and second sources further provides that in the event of any such purchase and resulting reduction in charges, the second source shall pass on this reduction to the Government by giving the Government a corresponding reduction in the purchase price of the article or service.

(2) If the agreement provides that no charge is to be made to the second source for data or patent rights to the extent to which the Government has rights, the Department concerned shall:

(i) Evaluate the acceptability of the provision before indicating its approval; or
(i) Explicitly condition its approval on the right to evaluate the acceptability of the provision at a later time.

(d) When there is a technical assistance agreement between the primary source and the Government related to the agreement between the primary and second sources that is under review, the latter agreement shall reflect the arrangements contemplated with respect thereto by the Government's technical assistance agreement with the primary source.

(e) Every agreement shall provide that any license rights transferred under the agreement are subject to existing rights of the Government.

(f) In connection with every agreement referred to in (b) of this section, a request shall be made to the primary source—

(1) To identify the patents, data, and other technical assistance to be provided to the second source by the primary source or any of his subcontractors,

(2) To identify any such patents and data in which, to the knowledge of the primary source, the Government may have rights, and

(3) To segregate the charges made to the second source for each such category or item of patents, data, and other technical assistance.

Reviewing personnel shall verify this information or, where the primary source does not furnish it, obtain such information from Governmental sources so far as practicable.

(g) The Department concerned shall make it clear that its approval of any agreement does not necessarily recognize the propriety of the charges or the amounts thereof, or constitute approval of any of the business arrangements in the agreement, unless the Department expressly intends by its approval to commit itself to the fairness and reasonableness of a particular charge or charges. In any event, a disclaimer should be made to charges or business terms not affecting any purchase made by or for the Government or by others with funds derived through the Military Assistance Program or otherwise through the Government.

227.676 Foreign patent interchange agreements.

(a) Patent interchange agreements between the United States and foreign governments provide for the use of patent rights, compensation, free licenses, and the establishment of committees to review and make recommendations on these matters. The agreements also may exempt the United States from royalty and other payments. The contracting officer shall ensure that royalty payments are consistent with patent interchange agreements.

(b) Assistance with patent rights and royalty payments in the United States European Command (USEUCOM) area of responsibility is available from HQ USEUCOM, ATTN: ECLA, Unit 30400, Box 1000, APO AE 09128; Telephone: DSN 430-8001, Commercial 49-0711-680-7263; Telefax: 49-0711-680-5732.


Subpart 227.70—Infringement Claims, Licenses, and Assignments

227.7000 Scope.

This subpart prescribes policy, procedures, and instructions for use of clauses with respect to processing licenses, assignments, and infringement claims.

227.7001 Policy.

Whenever a claim of infringement of privately owned rights in patented inventions or copyrighted works is asserted against any Department or Agency of the Department of Defense, all necessary steps shall be taken to investigate, and to settle administratively, deny, or otherwise dispose of such claim prior to suit against the United States. This subpart 227.70 does not apply to licenses or assignments acquired by the Department of Defense under the Patent Rights clauses.

227.7002 Statutes pertaining to administrative claims of infringement.

Statutes pertaining to administrative claims of infringement in the Department of Defense include the following: the Foreign Assistance Act of

227.7003 Claims for copyright infringement.

The procedures set forth herein will be followed, where applicable, in copyright infringement claims.

227.7004 Requirements for filing an administrative claim for patent infringement.

(a) A patent infringement claim for compensation, asserted against the United States under any of the applicable statutes cited in 227.7002, must be actually communicated to and received by a Department, agency, organization, office, or field establishment within the Department of Defense. Claims must be in writing and should include the following:

(1) An allegation of infringement;
(2) A request for compensation, either expressed or implied;
(3) A citation of the patent or patents alleged to be infringed;
(4) A sufficient designation of the alleged infringing item or process to permit identification, giving the military or commercial designation, if known, to the claimant;
(5) A designation of at least one claim of each patent alleged to be infringed; or
(6) As an alternative to (a) (4) and (5) of this section, a declaration that the claimant has made a bona fide attempt to determine the item or process which is alleged to infringe, but was unable to do so, giving reasons, and stating a reasonable basis for his belief that his patent or patents are being infringed.

(b) In addition to the information listed in (a) of this section, the following material and information is generally necessary in the course of processing a claim of patent infringement. Claimants are encouraged to furnish this information at the time of filing a claim to permit the most expeditious processing and settlement of the claim.

(1) A copy of the asserted patent(s) and identification of all claims of the patent alleged to be infringed.
(2) Identification of all procurements known to claimant which involve the alleged infringing item or process, including the identity of the vendor or contractor and the Government procuring activity.
(3) A detailed identification of the accused article or process, particularly where the article or process relates to a component or subcomponent of the item procured, an element by element comparison of the representative claims with the accused article or process. If available, this identification should include documentation and drawings to illustrate the accused article or process in suitable detail to enable verification of the infringement comparison.
(4) Names and addresses of all past and present licenses under the patent(s), and copies of all license agreements and releases involving the patent(s).
(5) A brief description of all litigation in which the patent(s) has been or is now involved, and the present status thereof.
(6) A list of all persons to whom notices of infringement have been sent, including all departments and agencies of the Government, and a statement of the ultimate disposition of each.
(7) A description of Government employment or military service, if any, by the inventor and/or patent owner.
(8) A list of all Government contracts under which the inventor, patent owner, or anyone in privity with him performed work relating to the patented subject matter.
(9) Evidence of title to the patent(s) alleged to be infringed or other right to make the claim.
(10) A copy of the Patent Office file of each patent if available to claimant.
(11) Pertinent prior art known to claimant, not contained in the Patent Office file, particularly publications and foreign art.

In addition to the foregoing, if claimant can provide a statement that the investigation may be limited to the specifically identified accused articles or processes, or to a specific procurement, it may materially expedite determination of the claim.

(c) Any department receiving an allegation of patent infringement which
Defense Acquisition Regulations System, DOD 227.7006

227.7006 Investigation and administrative disposition of claims.

An investigation and administrative determination (denial or settlement) of each claim shall be made in accordance with instructions and procedures established by each Department, subject to the following:

(a) When the procurement responsibility for the alleged infringing item or process is assigned to a single Department or only one Department is the purchaser of the alleged infringing item or process, and the funds of that Department only are to be charged in the settlement of the claim, that Department shall have the sole responsibility for the investigation and administrative determination of the claim and for the execution of any agreement in settlement of the claim. Where, however, funds of another Department are to be charged, in whole or in part, the approval of such Department shall be obtained as required by 208.7002. Any agreement in settlement of the claim, approved pursuant to 208.7002 shall be executed by each of the Departments concerned.

(b) When two or more Departments are the respective purchasers of alleged infringing items or processes and the funds of those Departments are to be charged in the settlement of the claim, the investigation and administrative determination shall be the responsibility of the Department having the predominant financial interest in the claim or of the Department or Departments as jointly agreed upon by the Departments concerned. The Department responsible for negotiation shall, throughout the negotiation, coordinate with the other Departments concerned and keep them advised of the status of the negotiation. Any agreement in the
settlement of the claim shall be executed by each Department concerned.

227.7007 Notification and disclosure to claimants.

When a claim is denied, the Department responsible for the administrative determination of the claim shall so notify the claimant or his authorized representative and provide the claimant a reasonable rationale of the basis for denying the claim. Disclosure of information or the rationale referred to above shall be subject to applicable statutes, regulations, and directives pertaining to security, access to official records, and the rights of others.

227.7008 Settlement of indemnified claims.

Settlement of claims involving payment for past infringement shall not be made without the consent of, and equitable contribution by, each indemnifying contractor involved, unless such settlement is determined to be in the best interests of the Government and is coordinated with the Department of Justice with a view to preserving any rights of the Government against the contractors involved. If consent of and equitable contribution by the contractors are obtained, the settlement need not be coordinated with the Department of Justice.

227.7009 Patent releases, license agreements, and assignments.

This section contains clauses for use in patent release and settlement agreements, license agreements, and assignments, executed by the Government, under which the Government acquires rights. Minor modifications of language (e.g., pluralization of “Secretary” or “Contracting Officer”) in multi-departmental agreements may be made if necessary.

227.7009–1 Required clauses.

(a) Covenant Against Contingent Fees. Insert the clause at FAR 52.203–5.

(b) Gratuities. Insert the clause at FAR 52.203–3.

(c) Assignment of Claims. Insert the clause at FAR 52.232–23.

(d) Disputes. Pursuant to FAR 33.014, insert the clause at FAR 52.233–1.

(e) Non-Estoppel. Insert the clause at 252.227–7000.

227.7009–2 Clauses to be used when applicable.

(a) Release of past infringement. The clause at 252.227–7001, Release of Past Infringement, is an example which may be modified or omitted as appropriate for particular circumstances, but only upon the advice of cognizant patent or legal counsel. (See footnotes at end of clause.)

(b) Readjustment of payments. The clause at 252.227–7002, Readjustment of Payments, shall be inserted in contracts providing for payment of a running royalty.

(c) Termination. The clause at 252.227–7003, Termination, is an example for use in contracts providing for the payment of a running royalty. This clause may be modified or omitted as appropriate for particular circumstances, but only upon the advice of cognizant patent or legal counsel (see 227.7004(c)).

227.7009–3 Additional clauses—contracts except running royalty contracts.

The following clauses are examples for use in patent release and settlement agreements, and license agreements not providing for payment by the Government of a running royalty.

(a) License Grant. Insert the clause at 252.227–7004.

(b) License Term. Insert one of the clauses at 252.227–7005 Alternate I or Alternate II, as appropriate.

227.7009–4 Additional clauses—contracts providing for payment of a running royalty.

The clauses set forth below are examples which may be used in patent release and settlement agreements, and license agreements, when it is desired to cover the subject matter thereof and the contract provides for payment of a running royalty.

(a) License grant—running royalty. No Department shall be obligated to pay royalties unless the contract is signed on behalf of such Department. Accordingly, the License Grant clause at 252.227–7006 should be limited to the
practice of the invention by or for the signatory Department or Departments.

(b) **License term—running royalty.** The clause at 252.227–7007 is a sample form for expressing the license term.

(c) **Computation of royalties.** The clause at 252.227–7008 providing for the computation of royalties, may be of varying scope depending upon the nature of the royalty bearing article, the volume of procurement, and the type of contract pursuant to which the procurement is to be accomplished.

(d) **Reporting and payment of royalties.**
   (1) The contract should contain a provision specifying the office designated within the specific Department involved to make any necessary reports to the contractor of the extent of use of the licensed subject matter by the entire Department, and such office shall be charged with the responsibility of obtaining from all procuring offices of that Department the information necessary to make the required reports and corresponding vouchers necessary to make the required payments. The clause at 252.227–7009 is a sample for expressing reporting and payment of royalties requirements.
   (2) Where more than one Department or Government Agency is licensed and there is a ceiling on the royalties payable in any reporting period, the licensing Departments or Agencies shall coordinate with respect to the pro rata share of royalties to be paid by each.

(e) **License to other government agencies.** When it is intended that a license on the same terms and conditions be available to other departments and agencies of the Government, the clause at 252.227–7010 is an example which may be used.

**227.7011 Procurement of rights in inventions, patents, and copyrights.**

Even though no infringement has occurred or been alleged, it is the policy of the Department of Defense to procure rights under patents, patent applications, and copyrights whenever it is in the Government’s interest to do so and the desired rights can be obtained at a fair price. The required and suggested clauses at 252.227–7004 and 252.227–7010 shall be required and suggested clauses, respectively, for license agreements and assignments made under this paragraph. The instructions at 227.7009–3 and 227.7010 concerning the applicability and use of those clauses shall be followed insofar as they are pertinent.

**227.7012 Contract format.**

The format at 252.227–7012 appropriately modified where necessary, may be used for contracts of release, license, or assignment.

**227.7013 Recordation.**

Executive Order No. 9424 of 18 February 1944 requires all executive Departments and agencies of the Government to forward through appropriate channels to the Commissioner of Patents and Trademarks, for recording, all Government interests in patents or applications for patents.

**Subpart 227.71—Rights in Technical Data**

**SOURCE:** 60 FR 33471, June 28, 1995, unless otherwise noted.

**227.7100 Scope of subpart.**

This subpart—
(a) Prescribes policies and procedures for the acquisition of technical data and the rights to use, modify, reproduce, release, perform, display, or disclose technical data. It implements requirements in the following laws and Executive Order:
   (1) 10 U.S.C. 2302(4).
   (2) 10 U.S.C. 2305 (subsection (d)(4)).
   (3) 10 U.S.C. 2320.
   (4) 10 U.S.C. 2321.
   (5) 10 U.S.C. 2325.
(7) Executive Order 12591 (Subsection 1(b)(6)).
(b) Does not apply to computer software or technical data that is computer software documentation (see subpart 227.72).

227.7101 Definitions.
(a) As used in this subpart, unless otherwise specifically indicated, the terms “offeror” and “contractor” include an offeror’s or contractor’s subcontractors, suppliers, or potential subcontractors or suppliers at any tier.
(b) Other terms used in this subpart are defined in the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items.

[56 FR 36389, July 31, 1991, as amended at 60 FR 61598, Nov. 30, 1995]

227.7102 Commercial items, components, or processes.
227.7102–1 Policy.
(a) DoD shall acquire only the technical data customarily provided to the public with a commercial item or process, except technical data that—
(1) Are form, fit, or function data;
(2) Are required for repair or maintenance of commercial items or processes, or for the proper installation, operating, or handling of a commercial item, either as a stand alone unit or as a part of a military system, when such data are not customarily provided to commercial users or the data provided to commercial users is not sufficient for military purposes; or
(3) Describe the modifications made at Government expense to a commercial item or process in order to meet the requirements of a Government solicitation.
(b) To encourage offerors and contractors to offer or use commercial products to satisfy military requirements, offerors, and contractors shall not be required, except for the technical data described in paragraph (a) of this subsection, to—
(1) Furnish technical information related to commercial items or processes that is not customarily provided to the public; or
(2) Relinquish to, or otherwise provide, the Government rights to use, modify, reproduce, release, perform, display, or disclose technical data pertaining to commercial items or processes except for a transfer of rights mutually agreed upon.

227.7102–2 Rights in technical data.
(a) The clause at 252.227–7015, Technical Data—Commercial Items, provides the Government specific license rights in technical data pertaining to commercial items or processes. DoD may use, modify, reproduce, release, perform, display, or disclose data only within the Government. The data may not be used to manufacture additional quantities of the commercial items and, except for emergency repair or overhaul and for covered Government support contractors, may not be released or disclosed to, or used by, third parties without the contractor’s written permission. Those restrictions do not apply to the technical data described in 227.7102–1(a).
(b) If additional rights are needed, contracting activities must negotiate with the contractor to determine if there are acceptable terms for transferring such rights. The specific additional rights granted to the Government shall be enumerated in a license agreement made part of the contract.


227.7102–3 Government right to review, verify, challenge and validate asserted restrictions.

Follow the procedures at 227.7103–13 and the clause at 252.227–7037, Validation of Restrictive Markings on Technical Data, regarding the validation of asserted restrictions on technical data related to commercial items.

[76 FR 58147, Sept. 20, 2011]

227.7102–4 Contract clauses.
(a)(1) Except as provided in paragraph (b) of this subsection, use the clause at 252.227–7015, Technical Data—Commercial Items, in all solicitations and contracts when the Contractor will be required to deliver technical data pertaining to commercial items, components, or processes.
207

(2) Use the clause at 252.227–7015 with its Alternate I in contracts for the development or delivery of a vessel design or any useful article embodying a vessel design.

(b) In accordance with the clause prescription at 227.7103–6(a), use the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, in addition to the clause at 252.227–7015, if the Government will have paid for any portion of the development costs of a commercial item. The clause at 252.227–7013 will govern the technical data pertaining to any portion of a commercial item that was developed in any part at Government expense, and the clause at 252.227–7015 will govern the technical data pertaining to any portion of a commercial item that was developed exclusively at private expense.

(c) Use the clause at 252.227–7037, Validation of Restrictive Markings on Technical Data, in all solicitations and contracts for commercial items that include the clause at 252.227–7015 or the clause at 252.227–7013.

[76 FR 58147, Sept. 20, 2011]

227.7103 Noncommercial items or processes.

227.7103–1 Policy.

(a) DoD policy is to acquire only the technical data, and the rights in that data, necessary to satisfy agency needs.

(b) Solicitations and contracts shall—

(1) Specify the technical data to be delivered under a contract and delivery schedules for the data;

(2) Establish or reference procedures for determining the acceptability of technical data;

(3) Establish separate contract line items, to the extent practicable, for the technical data to be delivered under a contract and require offerors and contractors to price separately each deliverable data item; and

(4) Require offerors to identify, to the extent practicable, technical data to be furnished with restrictions on the Government’s rights and require contractors to identify technical data to be delivered with such restrictions prior to delivery.

(c) Offerors shall not be required, either as a condition of being responsive to a solicitation or as a condition for award, to sell or otherwise relinquish to the Government any rights in technical data related to items, components or processes developed at private expense except for the data identified at 227.7103–5(a)(2) and (a)(4) through (9).

(d) Offerors and contractors shall not be prohibited or discouraged from furnishing or offering to furnish items, components, or processes developed at private expense solely because the Government’s rights to use, modify, release, reproduce, perform, display, or disclose technical data pertaining to those items may be restricted.

(e) As provided in 10 U.S.C. 2305, solicitations for major systems development contracts shall not require offerors to submit proposals that would permit the Government to acquire competitively items identical to items developed at private expense unless a determination is made at a level above the contracting officer that—

(1) The offeror will not be able to satisfy program schedule or delivery requirements; or

(2) The offeror’s proposal to meet mobilization requirements does not satisfy mobilization needs.

(f) For acquisitions involving major weapon systems or subsystems of major weapon systems, the acquisition plan shall address acquisition strategies that provide for technical data and the associated license rights in accordance with 207.106(S–70).

(g) The Government’s rights in a vessel design, and in any useful article embodying a vessel design, must be consistent with the Government’s rights in technical data pertaining to the design (10 U.S.C. 7317; 17 U.S.C. 1301(a)(3)).

[60 FR 33471, June 28, 1995, as amended at 72 FR 51189, Sept. 6, 2007; 74 FR 61044, Nov. 23, 2009]

227.7103–2 Acquisition of technical data.

(a) Contracting officers shall work closely with data managers and requirements personnel to assure that data requirements included in solicitations are consistent with the policy expressed in 227.7103–1.
(b)(1) Data managers or other requirements personnel are responsible for identifying the Government’s minimum needs for technical data. Data needs must be established giving consideration to the contractor’s economic interests in data pertaining to items, components, or processes that have been developed at private expense; the Government’s costs to acquire, maintain, store, retrieve, and protect the data; reprocurement needs; repair, maintenance and overhaul philosophies; spare and repair part considerations; and whether procurement of the items, components, or processes can be accomplished on a form, fit, or function basis. When it is anticipated that the Government will obtain unlimited or government purpose rights in technical data that will be required for competitive spare or repair parts procurements, such data should be identified as deliverable data items. Reprocurement needs may not be a sufficient reason to acquire detailed manufacturing or process data when items or components can be acquired using performance specifications, form, fit and function data, or when there are a sufficient number of alternate sources which can reasonably be expected to provide such items on a performance specification or form, fit, or function basis.

(2) When reviewing offers received in response to a solicitation or other request for data, data managers must balance the original assessment of the Government’s data needs with data prices contained in the offer.

(c) Contracting officers are responsible for ensuring that, wherever practicable, solicitations and contracts—

(1) Identify the type and quantity of the technical data to be delivered under the contract and the format and media in which the data will be delivered;

(2) Establish each deliverable data item as a separate contract line item (this requirement may be satisfied by listing each deliverable data item on an exhibit to the contract);

(3) Identify the prices established for each deliverable data item under a fixed-price type contract;

(4) Include delivery schedules and acceptance criteria for each deliverable data item; and

(5) Specifically identify the place of delivery for each deliverable item of technical data.

227.7103-3 Early identification of technical data to be furnished to the Government with restrictions on use, reproduction or disclosure.

(a) 10 U.S.C. 2320 requires, to the maximum extent practicable, an identification prior to delivery of any technical data to be delivered to the Government with restrictions on use.

(b) Use the provision at 252.227–7017, Identification and Assertion of Use, Release, or Disclosure Restrictions, in all solicitations that include the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items. The provision requires offerors to identify any technical data for which restrictions, other than copyright, on use, release, or disclosure are asserted and to attach the identification and assertions to the offer.

(c) Subsequent to contract award, the clause at 252.277–7013 permits a contractor, under certain conditions, to make additional assertions of use, release, or disclosure restrictions. The prescription for the use of that clause and its alternate is at 227.7103–6 (a) and (b).

227.7103–4 License rights.

(a) Grant of license. The Government obtains rights in technical data, including a copyright license, under an irrevocable license granted or obtained for the Government by the contractor. The contractor or licensor retains all rights in the data not granted to the Government. For technical data that pertain to items, components, or processes, the scope of the license is generally determined by the source of funds used to develop the item, component, or process. When the technical data do not pertain to items, components, or processes, the scope of the license is determined by the source of funds used to create the data.

(1) Technical data pertaining to items, components, or processes. Contractors or licensors may, with some exceptions (see 227.7103–5(a)(2) and (a)(4) through

208
(9), restrict the Government’s rights to use, modify, release, reproduce, perform, display or disclose technical data pertaining to items, components, or processes developed exclusively at private expense (limited rights). They may not restrict the Government’s rights in items, components, or processes developed exclusively at Government expense (unlimited rights) without the Government’s approval. When an item, component, or process is developed with mixed funding, the Government may use, modify, release, reproduce, perform, display or disclose the data pertaining to such items, components, or processes within the Government without restriction but may release or disclose the data outside the Government only for government purposes (government purpose rights).

227.7103–5 Government rights.

The standard license rights that a licensor grants to the Government are unlimited rights, government purpose rights, or limited rights. Those rights are defined in the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items. In unusual situations, the standards rights may not satisfy the Government’s needs or the Government may be willing to accept lesser rights in data in return for other consideration. In those cases, a special license may be negotiated. However, the licensor is not obligated to provide the Government greater rights and the contracting officer is not required to accept lesser rights than the rights provided in the standard grant of license. The situations under which a particular grant of license applies are enumerated in paragraphs (a) through (d) of this subsection.

(a) Unlimited rights. The Government obtains unlimited rights in technical data that are—

(1) Data pertaining to an item, component, or process which has been or will be developed exclusively with Government funds;

(2) Studies, analyses, test data, or similar data produced in the performance of a contract when the study, analysis, test, or similar work was specified as an element of performance;

(3) Created exclusively with Government funds in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes. The Government generally obtains unlimited rights in such data when the data were created exclusively with Government funds, government purpose rights when the data were created with mixed funding, and limited rights when the data were created exclusively at private expense.

(b) Source of funds determination. The determination of the source of development funds for technical data pertaining to items, components, or processes should be made at any practical sub-item or subcomponent level or for any segregable portion of a process. Contractors may assert limited rights in a segregable sub-item, sub-component, or portion of a process which otherwise qualifies for limited rights under the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items.
(i) Government purpose license rights or limited rights and the restrictive condition(s) has/have expired; or

(ii) Government purpose rights and the contractor’s exclusive right to use such data for commercial purposes has expired.

(b) **Government purpose rights.** (1) The Government obtains government purpose rights in technical data—

(i) That pertain to items, components, or processes developed with mixed funding except when the Government is entitled to unlimited rights as provided in paragraphs (a)(2) and (a)(4) through (9) of this subsection; or

(ii) Created with mixed funding in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes.

(2) The period during which government purpose rights are effective is negotiable. The clause at 252.227–7013 provides a nominal five-year period. Either party may request a different period. Changes to the government purpose rights period may be made at any time prior to delivery of the technical data without consideration from either party. Longer periods should be negotiated when a five-year period does not provide sufficient time to apply the data for commercial purposes or when necessary to recognize subcontractors’ interests in the data.

(3) The government purpose rights period commences upon execution of the contract, subcontract, letter contract (or similar contractual instrument), contract modification, or option exercise that required the development. Upon expiration of the Government rights period, the Government has unlimited rights in the data including the right to authorize others to use the data for commercial purposes.

(4) During the government purpose rights period, the government may not use, or authorize other persons to use, technical data marked with government purpose rights legends for commercial purposes. The Government shall not release or disclose data in which it has government purpose rights to any person, or authorize others to do so, unless—

(i) Prior to release or disclosure, the intended recipient is subject to the use and non-disclosure agreement at 227.7103–7; or

(ii) The intended recipient is a Government contractor receiving access to the data for performance of a Government contract that contains the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(5) When technical data marked with government purpose rights legends will be released or disclosed to a Government contractor performing a contract that does not include the clause at 252–227–7025, the contract may be modified, prior to release or disclosure, to include that clause in lieu of requiring the contractor to complete a use and non-disclosure agreement.

(6) Contracting activities shall establish procedures to assure that technical data marked with government purpose rights legends are released or disclosed, including a release or disclosure through a Government solicitation, only to persons subject to the use and non-disclosure requirements. Public announcements in the Commerce Business Daily or other publications must provide notice of the use and non-disclosure requirements. Class use and non-disclosure agreements (e.g., agreements covering all solicitations received by the XYZ company within a reasonable period) are authorized and may be obtained at any time prior to release or disclosure of the government purpose rights data. Documents transmitting government purpose rights data to persons under class agreements shall identify the technical data subject to government purpose rights and the class agreement under which such data are provided.

(c) **Limited rights.** (1) The Government obtains limited rights in technical data—

(i) That pertain to items, components, or processes developed exclusively at private expense except when the Government is entitled to unlimited rights as provided in paragraphs (a)(2) and (a)(4) through (9) of this subsection; or

(ii) Created exclusively at private expense in the performance of a contract that does not require the development,
Defense Acquisition Regulations System, DOD

227.7103–6

manufacture, construction, or production of items, components, or processes.

(2) Data in which the Government has limited rights may not be used, released, or disclosed outside the Government without the permission of the contractor asserting the restriction except for a use, release or disclosure that is—

(i) Necessary for emergency repair and overhaul; or

(ii) To a covered Government support contractor; or

(iii) To a foreign government, other than detailed manufacturing or process data, when use, release, or disclosure is in the interest of the United States and is required for evaluational or informational purposes.

(3) The person asserting limited rights must be notified of the Government’s intent to release, disclose, or authorize others to use such data prior to release or disclosure of the data except notification of an intended release, disclosure, or use for emergency repair or overhaul which shall be made as soon as practicable.

(4) When the person asserting limited rights permits the Government to release, disclose, or have others use the data subject to restrictions on further use, release, or disclosure, or for a release under paragraph (c)(2)(i), (ii), or (iii) of this subsection, the intended recipient must complete the use and non-disclosure agreement at 227.7103–7, or receive the data for performance of a Government contract that contains the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, prior to release or disclosure of the limited rights data.

(d) Specifically negotiated license rights. (1) Negotiate specific licenses when the parties agree to modify the standard license rights granted to the government or when the government wants to obtain rights in data in which it does not have rights. When negotiating to obtain, relinquish, or increase the Government’s rights in technical data, consider the acquisition strategy for the item, component, or process, including logistics support and other factors which may have relevance for a particular procurement. The Government may accept lesser rights when it has unlimited or government purpose rights in data but may not accept less than limited rights in such data. The negotiated license rights must stipulate what rights the Government has to release or disclose the data to other persons or to authorize others to use the data. Identify all negotiated rights in a license agreement made part of the contract.

(2) When the Government needs additional rights in data acquired with government purpose or limited rights, the contracting officer must negotiate with the contractor to determine whether there are acceptable terms for transferring such rights. Generally, such negotiations should be conducted only when there is a need to disclose the data outside the Government or if the additional rights are required for competitive reprocurement and the anticipated savings expected to be obtained through competition are estimated to exceed the acquisition cost of the additional rights. Prior to negotiating for additional rights in limited rights data, consider alternatives such as—

(i) Using performance specifications and form, fit, and function data to acquire or develop functionally equivalent items, components, or processes;

(ii) Obtaining a contractor’s contractual commitment to qualify additional sources and maintain adequate competition among the sources; or

(iii) Reverse engineering, or providing items from Government inventories to contractors who request the items to facilitate the development of equivalent items through reverse engineering.


227.7103–6 Contract clauses.

(a) Use the clause at 252.227–7013, Rights in Technical Data–Noncommercial Items, in solicitations and contracts when the successful offeror(s) will be required to deliver to the Government technical data pertaining to noncommercial items, or pertaining to commercial items for which the Government will have paid for any portion of the development costs (in which case the clause at 252.227–7013 will govern
the technical data pertaining to any portion of a commercial item that was developed in any part at Government expense, and the clause at 252.227–7015 will govern the technical data pertaining to any portion of a commercial item that was developed exclusively at private expense). Do not use the clause when the only deliverable items are computer software or computer software documentation (see 227.72), commercial items developed exclusively at private expense (see 227.7102–4), existing works (see 227.7105), special works (see 227.7106), or when contracting under the Small Business Innovation Research Program (see 227.7104). Except as provided in 227.7107–2, do not use the clause in architect-engineer and construction contracts.

(b)(1) Use the clause at 252.227–7013 with its Alternate I in research contracts when the contracting officer determines, in consultation with counsel, that public dissemination by the contractor would be—

(i) In the interest of the government; and

(ii) Facilitated by the Government relinquishing its right to publish the work for sale, or to have others publish the work for sale on behalf of the Government.

(2) Use the clause at 252.227–7013 with its Alternate II in contracts for the development or delivery of a vessel design or any useful article embodying a vessel design.

(c) Use the provision at 252.227–7023, Technical Data or Computer Software Previously Delivered to the Government, in solicitations when the resulting contract will require the contractor to deliver technical data. The provision requires offerors to identify any technical data specified in the solicitations as deliverable data items that are the same or substantially the same as data items the offeror has delivered or is obligated to deliver, either as a contractor or subcontractor, under any other federal agency contract.

(e) Use the following clauses in solicitations and contracts that include the clause at 252.227–7013:

(1) 252.227–7016, Rights in Bid or Proposal Information;

(2) 252.227–7030, Technical Data—Withholding of Payment; and

(3) 252.227–7037, Validation of Restrictive Markings on Technical Data (paragraph (e) of the clause contains information that must be included in a challenge).


227.7103–7 Use and non-disclosure agreement.

(a) Except as provided in paragraph (b) of this subsection, technical data or computer software delivered to the Government with restrictions on use, modification, reproduction, release, performance, display, or disclosure may not be provided to third parties unless the intended recipient completes and signs the use and non-disclosure agreement at paragraph (c) of this subsection prior to release, or disclosure of the data.

(1) The specific conditions under which an intended recipient will be authorized to use, modify, reproduce, release, perform, display, or disclose technical data subject to limited rights or computer software subject to restricted rights must be stipulated in an attachment to the use and non-disclosure agreement.

(2) For an intended release, disclosure, or authorized use of technical data or computer software subject to special license rights, modify paragraph (1)(d) of the use and non-disclosure agreement to enter the conditions, consistent with the license requirements, governing the recipient’s obligations regarding use, modification, reproduction, release, performance, display or disclosure of the data or software.

(b) The requirement for use and non-disclosure agreements does not apply to Government contractors which are required to deliver, either as a contractor or subcontractor, under any other federal agency contract.

(c) The prescribed use and non-disclosure agreement is:

Use and Non-Disclosure Agreement

The undersigned, ________________________________, an authorized representative of the ________________________________, (which is hereinafter referred to as the “Recipient”) requests the Government to provide the Recipient with technical data or computer software (hereinafter referred to as “Data”) in which the Government’s use, modification, reproduction, release, performance, display, or disclosure rights are restricted. Those Data are identified in an attachment to this Agreement. In consideration for receiving such Data, the Recipient agrees to use the Data strictly in accordance with this Agreement:

1. The Recipient shall—
   (a) Use, modify, reproduce, release, perform, display, or disclose Data marked with government purpose rights or SBIR data rights legends only for government purposes and shall not do so for any commercial purpose. The Recipient shall not release, perform, display, or disclose these Data, with-out the express written permission of the contractor whose name appears in the restrictive legend (the “Contractor”), to any person other than its subcontractors or suppliers, or prospective subcontractors or suppliers, who require these Data to submit offers for, or perform contracts with the Recipient. The Recipient shall require its sub-contractors or suppliers, or prospective subcontractors or suppliers, to sign a use and non-disclosure agreement prior to disclosing or releasing these Data to such persons. Such agreement must be consistent with the terms of this agreement.
   (b) Use, modify, reproduce, release, perform, display, or disclose technical data marked with limited rights legends only as specified in the attachment to this Agreement. Release, performance, display, or disclosure to other persons is not authorized unless specified in the attachment to this Agreement or expressly permitted in writing by the Contractor. The Recipient shall promptly notify the Contractor of the execution of this Agreement and identify the Contractor’s Data that has been or will be provided to the Recipient, the date and place the Data were or will be received, and the name and address of the Government office that has provided or will provide the Data.
   (c) Use computer software marked with restricted rights legends only in performance of Contract Number ______________________. The recipient shall not, for example, enhance, decompile, disassemble, or reverse engineer the software; time share, or use a computer program with more than one computer at a time. The recipient may not release, perform, display, or disclose such software to others unless expressly permitted in writing by the licensor whose name appears in the restrictive legend. The Recipient shall promptly notify the software licensor of the execution of this Agreement and identify the software that has been or will be provided to the Recipient, the date and place the software were or will be received, and the name and address of the Government office that has provided or will provide the software.
   (d) Use, modify, reproduce, release, perform, display, or disclose Data marked with special license rights legends (To be completed by the contracting officer. See 227.7103-7(a)(2). Omit if none of the Data requested is marked with special license rights legends).

2. The Recipient agrees to adopt or establish operating procedures and physical security measures designed to protect these Data from inadvertent release or disclosure to unauthorized third parties.

3. The Recipient agrees to accept these Data “as is” without any Government representation as to suitability for intended use or warranty whatsoever. This disclaimer does not affect any obligation the Government may have regarding Data specified in a contract for the performance of that contract.

4. The Recipient may enter into any agreement directly with the Contractor with respect to the use, modification, reproduction, release, performance, display, or disclosure of Data received from the Government with restrictive legends by the Recipient or any person to whom the Recipient has released or disclosed the Data.

5. The Recipient agrees to indemnify and hold harmless the Government, its agents, and employees from every claim or liability, including attorneys fees, court costs, and expenses arising out of, or in any way related to, the misuse or unauthorized modification, reproduction, release, performance, display, or disclosure of Data received from the Government with restrictive legends by the Recipient or any person to whom the Recipient has released or disclosed the Data.

6. The Recipient is executing this Agreement for the benefit of the Contractor. The Contractor is a third party beneficiary of this Agreement who, in addition to any other rights it may have, is intended to have the rights of direct action against the Recipient or any other person to whom the Recipient has released or disclosed the Data, to seek damages from any breach of this Agreement or to otherwise enforce this Agreement.
(7) The Recipient agrees to destroy these Data, and all copies of the Data in its possession, no later than 30 days after the date shown in paragraph (8) of this Agreement, to have all persons to whom it released the Data do so by that date, and to notify the Contractor that the Data have been destroyed.

(b) This Agreement shall be effective for the period commencing with the Recipient’s execution of this Agreement and ending upon

(Insert Date) _______________________. The obligations imposed by this Agreement shall survive the expiration or termination of the Agreement.

Recipient’s Business Name ____________________________________________

By ____________________________________________

Authorized Representative ____________________________________________

Date ____________________________________________

Representative’s Typed Name ____________________________________________

and Title ____________________________________________

(End of use and non-disclosure agreement)

227.7103–8 Deferred delivery and deferred ordering of technical data.

(a) Deferred delivery. Use the clause at 252.227–7026, Deferred Delivery of Technical Data or Computer Software, when it is in the Government’s interests to defer the delivery of technical data. The clause permits the contracting officer to require the delivery of technical data identified as “deferred delivery” data at any time until two years after acceptance by the Government of all items (other than technical data or computer software) under the contract or contract termination, whichever is later. The obligation of subcontractors or suppliers to deliver such technical data expires two years after the date the prime contractor accepts the last item from the subcontractor or supplier for use in the performance of the contract. The contract must specify which technical data is subject to deferred delivery. The contracting officer shall notify the contractor sufficiently in advance of the desired delivery date for such data to permit timely delivery.

(b) Deferred ordering. Use the clause at 252.227–7027. Deferred Ordering of Technical Data or Computer Software, when a firm requirement for a particular data item(s) has not been established prior to contract award but there is a potential need for the data. Under this clause, the contracting officer may order any data that has been generated in the performance of the contract or any subcontract thereunder at any time until three years after acceptance of all items (other than technical data or computer software) under the contract or contract termination, whichever is later. The obligation of subcontractors to deliver such data expires three years after the date the contractor accepts the last item under the subcontract. When the data are ordered, the delivery dates shall be negotiated and the contractor compensated only for converting the data into the prescribed form, reproduction costs, and delivery costs.

227.7103–9 Copyright.

(a) Copyright license. (1) The clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, requires a contractor to grant or obtain for the Government license rights which permit the Government to reproduce data, distribute copies of the data, publicly perform or display the data or, through the right to modify data, prepare derivative works. The extent to which the Government, and others acting on its behalf, may exercise these rights varies for each of the standard data rights licenses obtained under the clause. When non-standard license rights in technical data will be negotiated, negotiate the extent of the copyright license concurrent with negotiations for the data rights license. Do not negotiate a copyright license that provides less rights than the standard limited rights license in technical data.

(2) The clause at 252.227–7013 does not permit a contractor to incorporate a third party’s copyrighted data into a deliverable data item unless the contractor has obtained an appropriate license for the Government and, when applicable, others acting on the Government’s behalf, or has obtained the contracting officer’s written approval to do so. Grant approval to use third party copyrighted data in which the Government will not receive a copyright license only when the Government’s requirements cannot be satisfied without the third party material or when the use of the third party material will result in cost savings to the
227.7103–10 Contractor identification and marking of technical data to be furnished with restrictive markings.

(a) Identification requirements. (1) The solicitation provision at 252.227–7017, Identification and Assertion of Use, Release, or Disclosure Restrictions, requires offerors to identify to the contracting officer, prior to contract award, any technical data that the offeror asserts should be provided to the Government with restrictions on use, modification, reproduction, release or disclosure. This requirement does not apply to restrictions based solely on copyright. The notification and identification must be submitted as an attachment to the offer. If an offeror fails to submit the attachment or fails to complete the attachment in accordance with the requirements of the solicitation provision, such failure shall constitute a minor informality. Provide offerors an opportunity to remedy a minor informality in accordance with the procedures at FAR 14.405 or 15.607. An offeror’s failure to correct the informality within the time prescribed by the contracting officer shall render the offer ineligible for award.

(2) The procedures for correcting minor informalities shall not be used to obtain information regarding asserted restrictions or an offeror’s suggested asserted rights category. Questions regarding the justification for an asserted restriction or asserted rights category must be pursued in accordance with the procedures at 227.7103–13.

(3) The restrictions asserted by a successful offeror shall be attached to its contract unless, in accordance with the procedures at 227.7103–13, the parties have agreed that an asserted restriction is not justified. The contract attachment shall provide the same information regarding identification of the technical data, the asserted rights category, the basis for the assertion, and the name of the person asserting the restrictions as required by paragraph (d) of the solicitation provision at 252.227–7017. Subsequent to contract award, the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, permits the contractor to make additional assertions under certain conditions. The additional assertions must be made in accordance with the procedures and in the format prescribed by that clause.

(4) Neither the pre- or post-award assertions made by the contractor, nor the fact that certain assertions are identified in the attachment to the contract, determine the respective rights of the parties. As provided at 227.7103–13, the Government has the right to review, verify, challenge and validate restrictive markings.

(b) Contractor marking requirements. The clause at 252.227–7013, Rights in Technical Data—Noncommercial Items—

(1) Requires a contractor that desires to restrict the Government’s rights in technical data to place restrictive markings on the data, provides instructions for the placement of the restrictive markings, and authorizes the use of certain restrictive markings; and

(2) Requires a contractor to deliver, furnish, or otherwise provide to the Government any technical data in which the Government has previously obtained rights with the Government’s pre-existing rights in that data unless the parties have agreed otherwise or restrictions on the Government’s
rights to use, modify, reproduce, release, perform, display, or disclose the data have expired. When restrictions are still applicable, the contractor is permitted to mark the data with the appropriate restrictive legend for which the data qualified.

(c) Unmarked technical data. (1) Technical data delivered or otherwise provided under a contract without restrictive markings shall be presumed to have been delivered with unlimited rights and may be released or disclosed without restriction. To the extent practicable, if a contractor has requested permission (see paragraph (c)(2) of this subsection) to correct an inadvertent omission of markings, do not release or disclose the technical data pending evaluation of the request.

(2) A contractor may request permission to have appropriate legends placed on unmarked technical data at its expense. The request must be received by the contracting officer within six months following the furnishing or delivery of such data, or any extension of that time approved by the contracting officer. The person making the request must:

(i) Identify the technical data that should have been marked;
(ii) Demonstrate that the omission of the marking was inadvertent, the proposed marking is justified and conforms with the requirements for the marking of technical data contained in the clause at 252.227–7013; and
(iii) Acknowledge, in writing, that the Government has no liability with respect to any disclosure, reproduction, or use of the technical data made prior to the addition of the marking or resulting from the omission of the marking.

(3) Contracting officers should grant permission to mark only if the technical data were not distributed outside the Government or were distributed outside the Government with restrictions on further use or disclosure.

227.7103–11 Contractor procedures and records.

(a) The clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, requires a contractor, and its subcontractors or suppliers that will deliver technical data with other than unlimited rights, to establish and follow written procedures to assure that restrictive markings are used only when authorized and to maintain records to justify the validity of asserted restrictions on delivered data.

(b) The clause at 252.227–7037, Validation of Restrictive Markings on Technical Data requires contractors and their subcontractors at any tier to maintain records sufficient to justify the validity of restrictive markings on technical data delivered or to be delivered under a Government contract.

227.7103–12 Government right to establish conformity of markings.

(a) Nonconforming markings. (1) Authorized markings are identified in the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items. All other markings are nonconforming markings. An authorized marking that is not in the form, or differs in substance, from the marking requirements in the clause at 252.227–7013 is also a nonconforming marking.

(2) The correction of nonconforming markings on technical data is not subject to 252.227–7037, Validation of Restrictive Markings on Technical Data. To the extent practicable, the contracting officer should return technical data bearing nonconforming markings to the person who has placed the nonconforming markings on such data to provide that person an opportunity to correct or strike the nonconforming marking at that person’s expense. If that person fails to correct the nonconformity and return the corrected data within 60 days following the person’s receipt of the data, the contracting officer may correct or strike the nonconforming marking at that person’s expense. When it is impracticable to return technical data for correction, contracting officers may unilaterally correct any nonconforming markings at Government expense. Prior to correction, the data may be used in accordance with the proper restrictive marking.

(b) Unjustified markings. (1) An unjustified marking is an authorized marking that does not depict accurately restrictions applicable to the Government’s use, modification, reproduction, release, performance, display, or disclosure of the marked technical
Defense Acquisition Regulations System, DOD 227.7103–13

(a) General. An offeror’s assertion(s) of restrictions on the Government’s rights to use, modify, reproduce, release, or disclose technical data do not, by themselves, determine the extent of the Government’s rights in the technical data. Under 10 U.S.C. 2321, the Government has the right to challenge asserted restrictions when there are reasonable grounds to question the validity of the assertion and continued adherence to the assertion would make it impractical to later procure competitively the item to which the data pertain.

(b) Pre-award considerations. The challenge procedures required by 10 U.S.C. 2321 could significantly delay awards under competitive procurements. Therefore, avoid challenging asserted restrictions prior to a competitive contract award unless resolution of the assertion is essential for successful completion of the procurement.

(c) Challenge considerations and presumption.

(1) Requirements to initiate a challenge. Contracting officers shall have reasonable grounds to question the validity of an asserted restriction. Before issuing a challenge to an asserted restriction, carefully consider all available information pertaining to the assertion. The contracting officer shall not challenge a contractor’s assertion that a commercial item, component, or process was developed exclusively at private expense unless the Government can demonstrate that it contributed to development of the item, component or process.

(2) Presumption regarding development exclusively at private expense. 10 U.S.C. 2320(b)(1) and 2321(f) establish a presumption and procedures regarding validation of asserted restrictions for technical data related to commercial items, and to major systems, on the basis of development exclusively at private expense.

(i) Commercial items. For commercially available off-the-shelf items (defined at 41 U.S.C. 431(c)(104)) in all cases, and for all other commercial items except as provided in paragraph (c)(2)(ii) of this subsection, contracting officers shall presume that the items were developed exclusively at private expense whether or not a contractor submits a justification in response to a challenge notice. When a challenge is warranted, a contractor’s or subcontractor’s failure to respond to the challenge notice cannot be the sole basis for issuing a final decision denying the validity of an asserted restriction.

(ii) Major systems. The presumption of development exclusively at private expense does not apply to major systems or subsystems or components thereof, except for commercially available off-the-shelf items (which are governed by paragraph (c)(2)(i) of this subsection). When the contracting officer challenges an asserted restriction regarding technical data for a major system or a subsystem or component thereof on the basis that the technology was not developed exclusively at private expense.
expense, the contracting officer shall sustain the challenge unless information provided by the contractor or subcontractor demonstrates that the item was developed exclusively at private expense.

(d) Challenge and validation. All challenges shall be made in accordance with the provisions of the clause at 252.227–7037, Validation of Restrictive Markings on Technical Data.

(1) Challenge period. Asserted restrictions should be reviewed before acceptance of technical data deliverable under the contract. Assertions must be challenged within three years after final payment under the contract or three years after delivery of the data, whichever is later. However, restrictive markings may be challenged at any time if the technical data—

(i) Are publicly available without restriction;

(ii) Have been provided to the United States without restriction; or

(iii) Have been otherwise made available without restriction other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the technical data to another party or the sale or transfer of some or all of a business entity or its assets to another party.

(2) Pre-challenge requests for information. (i) After consideration of the situations described in paragraph (d)(3) of this subsection, contracting officers may request the person asserting a restriction to furnish a written explanation of the facts and supporting documentation for the assertion in sufficient detail to enable the contracting officer to ascertain the basis of the restrictive markings. Additional supporting documentation may be requested when the explanation provided by the person making the assertion does not, in the contracting officer’s opinion, establish the validity of the assertion.

(ii) If the person asserting the restriction fails to respond to the contracting officer’s request for information or additional supporting documentation, or if the information submitted or any other available information pertaining to the validity of a restrictive marking does not justify the asserted restriction, a challenge should be considered.

(3) Transacting matters directly with subcontracts. The clause at 252.227–7037 obtains the contractor’s agreement that the Government may transact matters under the clause directly with a subcontractor, at any tier, without creating or implying privity of contract. Contracting officers should permit a subcontractor or supplier to transact challenge and validation matters directly with the Government when—

(i) A subcontractor’s or supplier’s business interests in its technical data would be compromised if the data were disclosed to a higher tier contractor;

(ii) There is reason to believe that the contractor will not respond in a timely manner to a challenge and an untimely response would jeopardize a subcontractor’s or supplier’s right to assert restrictions; or

(iii) Requested to do so by a subcontractor or supplier.

(4) Challenge notice. The contracting officer shall not issue a challenge notice unless there are reasonable grounds to question the validity of an assertion. The contracting officer may challenge an assertion whether or not supporting documentation was requested under paragraph (d)(2) of this subsection. Challenge notices shall be in writing and issued to the contractor or, after consideration of the situations described in paragraph (d)(3) of this subsection, the person asserting the restriction. The challenge notice shall include the information in paragraph (e) of the clause at 252.227–7037.

(5) Extension of response time. The contracting officer, at his or her discretion, may extend the time for response contained in a challenge notice, as appropriate, if the contractor submits a timely written request showing the need for additional time to prepare a response.

(6) Contracting officer’s final decision. Contracting officers must issue a final decision for each challenged assertion, whether or not the assertion has been justified.

(i) A contracting officer’s final decision that an assertion is not justified must be issued a soon as practicable
following the failure of the person asserting the restriction to respond to the contracting officer’s challenge within 60 days, or any extension to that time granted by the contracting officer.

(ii) A contracting officer who, following a challenge and response by the person asserting the restriction, determines that an asserted restriction is justified, shall issue a final decision sustaining the validity of the asserted restriction. If the asserted restriction was made subsequent to submission of the contractor’s offer, add the asserted restriction to the contract attachment.

(iii) A contracting officer who determines that the validity of an asserted restriction has not been justified shall issue a contracting officer’s final decision within the time frames prescribed in 252.227–7037. As provided in paragraph (g) of that clause, the Government is obligated to continue to respect the asserted restrictions through final disposition of any appeal unless the agency head notifies the person asserting the restriction that urgent or compelling circumstances do not permit the Government to continue to respect the asserted restriction.

(7) **Multiple challenges to an asserted restriction.** When more than one contracting officer challenges an asserted restriction, the contracting officer who made the earliest challenge is responsible for coordinating the Government challenges. That contracting officer shall consult with all other contracting officers making challenges, verify that all challenges apply to the same asserted restriction and, after consulting with the contractor, subcontractor, or supplier asserting the restriction, issue a schedule that provides that person a reasonable opportunity to respond to each challenge.

(8) **Validation.** Only a contracting officer’s final decision, or actions of an agency board of contract appeals or a court of competent jurisdiction, that sustain the validity of an asserted restriction constitute validation of the asserted restriction.

227.7103–14 *Conformity, acceptance, and warranty of technical data.*

(a) **Statutory requirements.** 10 U.S.C. 2320—

(1) Provides for the establishment of remedies applicable to technical data found to be incomplete, inadequate, or not to satisfy the requirements of the contract concerning such data; and

(2) Authorizes agency heads to withhold payments (or exercise such other remedies an agency head considers appropriate) during any period if the contractor does not meet the requirements of the contract pertaining to the delivery of technical data.

(b) **Conformity and acceptance.** (1) Solicitations and contracts requiring the delivery of technical data shall specify the requirements the data must satisfy to be acceptable. Contracting officers, or their authorized representatives, are responsible for determining whether technical data tendered for acceptance conform to the contractual requirements.

(2) The clause at 252.227–7030, Technical Data—Withholding of Payment, provides for withholding up to 10 percent of the contract price pending correction or replacement of the nonconforming technical data or negotiation of an equitable reduction in contract price. The amount subject to withholding may be expressed as a fixed dollar amount or as a percentage of the contract price. In either case, the amount shall be determined giving consideration to the relative value and importance of the data. For example—

(i) When the sole purpose of a contract is to produce the data, the relative value of that data may be considerably higher than the value of data produced under a contract where the production of the data is a secondary objective; or

(ii) When the Government will maintain or repair items, repair and maintenance data may have a considerably higher relative value than data that merely describe the item or provide performance characteristics.

(3) Do not accept technical data that do not conform to the contractual requirements in all respects. Except for nonconforming restrictive markings (see paragraph (b)(4) of this subsection), correction or replacement of nonconforming data or an equitable reduction in contract price when correction or replacement of the nonconforming data is not practicable or is
not in the Government’s interests, shall be accomplished in accordance with—

(i) The provisions of a contract clause providing for inspection and acceptance of deliverables and remedies for nonconforming deliverables; or

(ii) The procedures at FAR 46.407(c) through (g), if the contract does not contain an inspection clause providing remedies for nonconforming deliverables.

(4) Follow the procedures at 227.7103–12(a)(2) if nonconforming markings are the sole reason technical data fail to conform to contractual requirements. The clause at 252.227–7030 may be used to withhold an amount for payment, consistent with the terms of the clause, pending correction of the nonconforming markings.

(c) Warranty. (1) The intended use of the technical data and the cost, if any, to obtain the warranty should be considered before deciding to obtain a data warranty (see FAR 46.703). The fact that a particular item, component, or process is or is not warranted is not a consideration in determining whether or not to obtain a warranty for the technical data that pertain to the item, component, or process. For example, a data warranty should be considered if the Government intends to repair or maintain an item and defective repair or maintenance data would impair the Government’s effective use of the item or result in increased costs to the Government.

(2) As prescribed in 246.710, use the clause at 252.246–7001, Warranty of Data, and its alternates, or a substantially similar clause when the Government needs a specific warranty of technical data.


227.7103–15 Subcontractor rights in technical data.

(a) 10 U.S.C. 2320 provides subcontractors at all tiers the same protection for their rights in data as is provided to prime contractors. The clauses at 252.227–7013, Rights in Technical Data—Noncommercial Items, and 252.227–7037, Validation of Restrictive Markings on Technical Data, implement the statutory requirements.

(b) 10 U.S.C. 2321 permits a subcontractor to transact directly with the Government matters relating to the validation of its asserted restrictions on the Government’s rights to use or disclose technical data. The clause at 252.227–7037 obtains a contractor’s agreement that the direct transaction of validation or challenge matters with subcontractors at any tier does not establish or imply privity of contract. When a subcontractor or supplier exercise its right to transact validation matters directly with the Government, contracting officers shall deal directly with such persons, as provided at 227.7103–19(c)(3).

(c) Require prime contractors whose contracts include the following clauses to include those clauses, without modification except for appropriate identification of the parties, in contracts with subcontractors or suppliers, at all tiers, who will be furnishing technical data for non-commercial items in response to a Government requirement:

(1) 252.227–7013, Rights in Technical Data—Noncommercial Items;

(2) 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends;

(3) 252.227–7026, Technical Data or Computer Software Previously Delivered to the Government; and

(4) 252.227–7037, Validation of Restrictive Markings on Technical Data.

(d) Do not require contractors to have their subcontractors or suppliers at any tier relinquish rights in technical data to the contractor, a higher tier subcontractor, or to the Government, as a condition for award of any contract, subcontract, purchase order, or similar instrument except for the rights obtained by the Government under the Rights in Technical Data—Noncommercial Items clause contained in the contractor’s contract with the Government.

[56 FR 36389, July 31, 1991, as amended at 60 FR 61598, Nov. 30, 1995]
227.7103–16 Providing technical data to foreign governments, foreign contractors, or international organizations.

Technical data may be released or disclosed to foreign governments, foreign contractors, or international organizations only if release or disclosure is otherwise permitted both by Federal export controls and other national security laws or regulations. Subject to such laws and regulations, the Department of Defense—

(a) May release or disclose technical data in which it has obtained unlimited rights to such foreign entities or authorize the use of such data by those entities; and

(b) Shall not release or disclose technical data for which restrictions on use, release, or disclosure have been asserted to foreign entities, or authorize the use of technical data by those entities, unless the intended recipient is subject to the same provisions as included in the use and non-disclosure agreement at 227.7103–7 and the requirements of the clause at 252.227–7103, Rights in Technical Data—Noncommercial Items, governing use, modification, reproduction, release, performance, display, or disclosure of such data have been satisfied.

227.7103–17 Overseas contracts with foreign sources.

(a) The clause at 252.227–7032, Rights in Technical Data and Computer Software (Foreign), may be used in contracts with foreign contractors to be performed overseas, except Canadian purchases (see paragraph (c) of this subsection), in lieu of the clause at 252.227–7103, Rights in Technical Data—Noncommercial Items, governing use, modification, reproduction, release, performance, display, or disclosure of technical data to be delivered under the contract. Do not use the clause in contracts for existing or special works.

(b) When the Government does not require unlimited rights, the clause at 252.227–7032 may be modified to accommodate the needs of a specific overseas procurement situation. The Government should obtain rights in the technical data that are not less than the rights the Government would have obtained under the data rights clause(s) prescribed in this part for a comparable procurement performed within the United States or its outlying areas.

(c) Contracts for Canadian purchases shall include the appropriate data rights clause prescribed in this part for a comparable procurement performed within the United States or its outlying areas.

[56 FR 36389, July 31, 1991, as amended at 70 FR 35545, June 21, 2005]

227.7104 Contracts under the Small Business Innovation Research (SBIR) Program.

(a) Use the clause at 252.227–7018, Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program, when technical data or computer software will be generated during performance of contracts under the SBIR program.

(b) Under the clause at 252.227–7018, the Government obtains a royalty-free license to use technical data marked with an SBIR data rights legend only for government purposes during the period commencing with contract award and ending five years after completion of the project under which the data were generated. Upon expiration of the five-year restrictive license, the Government has unlimited rights in the SBIR data. During the license period, the Government may not release or disclose SBIR data to any person other than its support services contractors except—

(1) For evaluational purposes;

(2) As expressly permitted by the contractor; or

(3) A use, release, or disclosure that is necessary for emergency repair or overhaul of items operated by the Government.

(c) Do not make any release or disclosure permitted by paragraph (b) of this section unless, prior to release or disclosure, the intended recipient is subject to the use and nondisclosure agreement at 227.7103–7.

(d) Use the clause at 252.227–7018 with its Alternate I in research contracts when the contracting officer determines, in consultation with counsel, that public dissemination by the contractor would be—
(1) In the interest of the Government; and
(2) Facilitated by the Government relinquishing its right to publish the work for sale, or to have others publish the work for sale on behalf of the Government.

(e) Use the following provision and clauses in SBIR solicitations and contracts that include the clause at 252.227–7018:

(1) 252.227–7016, Rights in Bid or Proposal Information;
(2) 252.227–7017, Identification and Assertion of Use, Release, or Disclosure Restrictions;
(3) 252.227–7019, Validation of Asserted Restrictions—Computer Software;
(4) 252.227–7030, Technical Data—Withholding of Payment; and
(5) 252.227–7037, Validation of Restrictive Markings on Technical Data (paragraph (e) of the clause contains information that must be included in a challenge).

(f) Use the following clauses and provision in SBIR solicitations and contracts in accordance with the guidance at 227.7106–2 (c) and (d):

(1) 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends; and
(2) 252.227–7028, Technical Data or Computer Software Previously Delivered to the Government.


227.7105 Contracts for the acquisition of existing works.

227.7105–1 General.

(a) Existing works include motion pictures, television recordings, video recordings, and other audiovisual works in any medium; sound recordings in any medium; musical, dramatic, and literary works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; and works of a similar nature. Usually, these or similar works were not first created, developed, generated, originated, prepared, or produced under a Government contract. Therefore, the Government must obtain a license in the work if it intends to reproduce the work, distribute copies of the work, prepare derivative works, or perform or display the work publicly. When the Government is not responsible for the content of an existing work, it should require the copyright owner to indemnify the Government for liabilities that may arise out of the content, performance, use, or disclosure of such data.

(b) Follow the procedures at 227.7106 for works which will be first created, developed, generated, originated, prepared, or produced under a Government contract and the Government needs to control distribution of the work or has a specific need to obtain indemnity for liabilities that may arise out of the creation, content, performance, use, or disclosure of the work or from libelous or other unlawful material contained in the work. Follow the procedures at 227.7103 when the Government does not need to control distribution of such works or obtain such indemnities.

227.7105–2 Acquisition of existing works without modification.

(a) Use the clause at 252.227–7021, Rights in Data—Existing Works, in lieu of the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, in solicitations and contracts exclusively for existing works when—

(1) The existing works will be acquired without modification; and
(2) The Government requires the right to reproduce, prepare derivative works, or publicly perform or display the existing works; or
(3) The Government has a specific need to obtain indemnity for liabilities that may arise out of the content, performance, use, or disclosure of such data.

(b) The clause at 252.227–7021 provides the Government, and others acting on its behalf, a paid-up, non-exclusive, irrevocable, world-wide license to reproduce, prepare derivative works and publicly perform or display the works called for by a contract and to authorize others to do so for government purposes.

(c) A contract clause is not required to acquire existing works such as books, magazines and periodicals, in any storage or retrieval medium, when the Government will not reproduce the
Defense Acquisition Regulations System, DOD 227.7107–1

books, magazines or periodicals, or prepare derivative works.

227.7105–3 Acquisition of modified existing works.

Use the clause at 252.227–7020, Rights in Special Works, in solicitations and contracts for modified existing works in lieu of the clause at 252.227–7021, Rights in Data—Existing Works.

227.7106 Contracts for special works.

(a) Use the clause at 252.227–7020, Rights in Special Works, in solicitations and contracts where the Government has a specific need to control the distribution of works first produced, created, or generated in the performance of a contract and required to be delivered under that contract, including controlling distribution by obtaining an assignment of copyright, or a specific need to obtain indemnity for liabilities that may arise out of the creation, delivery, use, modification, reproduction, release, performance, display, or disclosure of such works. Use the clause—

(1) In lieu of the clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, when the Government must own or control copyright in all works first produced, created, or generated and required to be delivered under a contract; or

(2) In addition to the clause at 252.227–7013 when the Government must own or control copyright in a portion of a work first produced, created, or generated and required to be delivered under a contract. The specific portion in which the Government must own or control copyright must be identified in a special contract requirement.

(b) Although the Government obtains an assignment of copyright and unlimited rights in a special work under the clause at 252.227–7020, the contractor retains use and disclosure rights in that work. If the Government needs to restrict a contractor’s rights to use or disclose a special work, it must also negotiate a special license which specifically restricts the contractor’s use or disclosure rights.

(c) The clause at 252.227–7020 does not permit a contractor to incorporate into a special work any works copyrighted by others unless the contractor obtains the contracting officer’s permission to do so and obtains for the Government a non-exclusive, paid up, world-wide license to make and distribute copies of that work, to prepare derivative works, to perform or display publicly any portion of the work, and to permit others to do so for government purposes. Grant permission only when the Government’s requirements cannot be satisfied unless the third party work is included in the deliverable work.

(d) Examples of works which may be procured under the Rights in Special Works clause include, but are not limited, to audiovisual works, computer data bases, computer software documentation, scripts, soundtracks, musical compositions, and adaptations; histories of departments, agencies, services or units thereof; surveys of Government establishments; instructional works or guidance to Government officers and employees on the discharge of their official duties; reports, books, studies, surveys or similar documents; collections of data containing information pertaining to individuals that, if disclosed, would violate the right of privacy or publicity of the individuals to whom the information relates; or investigative reports.

227.7107 Contracts for architect-engineer services.

This section sets forth policies and procedures, pertaining to data, copyrights, and restricted designs unique to the acquisition of construction and architect-engineer services.

227.7107–1 Architectural designs and data clauses for architect-engineer or construction contracts.

(a) Except as provided in paragraph (b) of this subsection and in 227.7107–2, use the clause at 252.227–7022, Government Rights (Unlimited), in solicitations and contracts for architect-engineer services and for construction involving architect-engineer services.

(b) When the purpose of a contract for architect-engineer services, or for construction involving architect-engineer services, is to obtain a unique architectural design of a building, a monument, or construction of similar nature, which for artistic, aesthetic or other special reasons the Government
227.7107–2  

227.7107–2 Contracts for construction supplies and research and development work.

Use the provisions and clauses required by 227.7103–6 and 227.7203–6 when the acquisition is limited to—

(a) Construction supplies or materials;

(b) Experimental, developmental, or research work, or test and evaluation studies of structures, equipment, processes, or materials for use in construction; or

(c) Both.

227.7107–3 Approval of restricted designs.

The clause at 227.227–7024, Notice and Approval of Restricted Designs, may be included in architect-engineer contracts to permit the Government to make informed decisions concerning noncompetitive aspects of the design.

227.7108 Contractor data repositories.

(a) Contractor data repositories may be established when permitted by agency procedures. The contractual instrument establishing the data repository must require, as a minimum, the data repository management contractor to—

(1) Establish and maintain adequate procedures for protecting technical data delivered to or stored at the repository from unauthorized release or disclosure;

(2) Establish and maintain adequate procedures for controlling the release or disclosure of technical data from the repository to third parties consistent with the Government’s rights in such data;

(b) When required by the contracting officer, deliver data to the Government on paper or in other specified media;

(c) Be responsible for maintaining the currency of data delivered directly by Government contractors or subcontractors to the repository;

(d) Obtain use and non-disclosure agreements (see 227.7103–7) from all persons to whom government purpose rights data is released or disclosed; and

(e) Indemnify the Government from any liability to data owners or licensors resulting from, or as a consequence of, a release or disclosure of technical data made by the data repository contractor or its officers, employees, agents, or representatives.

(b) If the contractor is or will be the data repository manager, the contractor’s data management and distribution responsibilities must be identified in the contract or the contract must reference the agreement between the Government and the contractor that establishes those responsibilities.

(c) If the contractor is not and will not be the data repository manager, do not require a contractor or subcontractor to deliver technical data marked with limited rights legends to a data repository managed by another contractor unless the contractor or subcontractor who has asserted limited rights agrees to release the data to the repository or has authorized, in writing, the Government to do so.

(d) Repository procedures may provide for the acceptance, delivery, and subsequent distribution of technical data in storage media other than paper, including direct electronic exchange of data between two computers. The procedures must provide for the identification of any portions of the data provided with restrictive legends, when appropriate. The acceptance criteria must be consistent with the authorized delivery format.

Subpart 227.72—Rights in Computer Software and Computer Software Documentation

SOURCE: 60 FR 33482, June 28, 1995, unless otherwise noted.

227.7200 Scope of subpart.

This subpart—
(a) Prescribes policies and procedures for the acquisition of computer software and computer software documentation, and the rights to use, modify, reproduce, release, perform, display, or disclose such software or documentation. It implements requirements in the following laws and Executive Order:
(1) 10 U.S.C. 2302(4).
(2) 10 U.S.C. 2305 (subsection (d)(4)).
(3) 10 U.S.C. 2320.
(4) 10 U.S.C. 2321.
(5) 10 U.S.C. 2325.
(6) Executive Order 12591 (subsection 1(b)(6)).

(b) Does not apply to computer software or computer software documentation acquired under GSA schedule contracts.

227.7201 Definitions.
(a) As used in this subpart, unless otherwise specifically indicated, the terms “offeror” and “contractor” include an offeror’s or contractor’s subcontractors, suppliers, or potential subcontractors or suppliers at any tier.
(b) Other terms used in this subpart are defined in the clause at 252.227-7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation.

227.7202 Commercial computer software and commercial computer software documentation.

227.7202–1 Policy.
(a) Commercial computer software or commercial computer software documentation shall be acquired under the licenses customarily provided to the public unless such licenses are inconsistent with Federal procurement law or do not otherwise satisfy user needs.
(b) Commercial computer software and commercial computer software documentation shall be obtained competitively, to the maximum extent practicable, using firm-fixed-price contracts or firm-fixed-priced orders under available pricing schedules.
(c) Offerors and contractors shall not be required to—
(1) Furnish technical information related to commercial computer software or commercial computer software documentation that is not customarily provided to the public except for information documenting the specific modifications made at Government expense to such software or documentation to meet the requirements of a Government solicitation; or
(2) Relinquish to, or otherwise provide, the Government rights to use, modify, reproduce, release, perform, display, or disclose commercial computer software or commercial computer software documentation except for a transfer of rights mutually agreed upon.

227.7202–2 [Reserved]

227.7202–3 Rights in commercial computer software or commercial computer software documentation.
(a) The Government shall have only the rights specified in the license under which the commercial computer software or commercial computer software documentation was obtained.
(b) If the Government has a need for rights not conveyed under the license customarily provided to the public, the Government must negotiate with the contractor to determine if there are acceptable terms for transferring such rights. The specific rights granted to the Government shall be enumerated in the contract license agreement or an addendum thereto.

227.7202–4 Contract clause.
A specific contract clause governing the Government’s rights in commercial computer software or commercial computer software documentation is not prescribed. As required by 227.7202–3, the Government’s rights to use, modify, reproduce, release, perform, display, or disclose computer software or computer software documentation shall be identified in a license agreement.

227.7203 Noncommercial computer software and noncommercial computer software documentation.

227.7203–1 Policy.
(a) DoD policy is to acquire only the computer software and computer software documentation, and the rights in such software or documentation, necessary to satisfy agency needs.
(b) Solicitations and contracts shall—
(1) Specify the computer software or computer software documentation to be delivered under a contract and the delivery schedules for the software or documentation;

(2) Establish or reference procedures for determining the acceptability of computer software or computer software documentation;

(3) Establish separate contract line items, to the extent practicable, for the computer software or computer software documentation to be delivered under a contract and require offerors and contractors to price separately each deliverable data item; and

(4) Require offerors to identify, to the extent practicable, computer software or computer software documentation to be furnished with restrictions on the Government’s rights and require contractors to identify computer software or computer software documentation to be delivered with such restrictions prior to delivery.

(c) Offerors shall not be required, either as a condition of being responsive to a solicitation or as a condition for award, to sell or otherwise relinquish to the Government any rights in computer software developed exclusively at private expense except for the software identified at 227.7203–5(a) (3) through (6).

(d) Offerors and contractors shall not be prohibited or discouraged from furnishing or offering to furnish computer software developed exclusively at private expense solely because the Government’s rights to use, modify, release, reproduce, perform, display, or disclose the software may be restricted.

(e) For acquisitions involving major weapon systems or subsystems of major weapon systems, the acquisition plan shall address acquisition strategies that provide for computer software and computer software documentation, and the associated license rights, in accordance with 207.106(8–70).

[60 FR 33471, June 28, 1995 as amended at 72 FR 51189, Sept. 6, 2007]

227.7203–2 Acquisition of noncommercial computer software and computer software documentation.

(a) Contracting officers shall work closely with data managers and requirements personnel to assure that computer software and computer software documentation requirements included in solicitations are consistent with the policy expressed in 227.7203–1.

(b)(1) Data managers or other requirements personnel are responsible for identifying the Government’s minimum needs. In addition to desired software performance, compatibility, or other technical considerations, needs determinations should consider such factors as multiple site or shared use requirements, whether the Government’s software maintenance philosophy will require the right to modify or have third parties modify the software, and any special computer software documentation requirements.

(2) When reviewing offers received in response to a solicitation or other request for computer software or computer software documentation, data managers must balance the original assessment of the Government’s needs with prices offered.

(c) Contracting officers are responsible for ensuring that, wherever practicable, solicitations and contracts—

(1) Identify the types of computer software and the quantity of computer programs and computer software documentation to be delivered, any requirements for multiple users at one site or multiple site licenses, and the format and media in which the software or documentation will be delivered;

(2) Establish each type of computer software or computer software documentation to be delivered as a separate contract line item (this requirement may be satisfied by an exhibit to the contract);

(3) Identify the prices established for each separately priced deliverable item of computer software or computer software documentation under a fixed-price type contract;

(4) Include delivery schedules and acceptance criteria for each deliverable item; and

(5) Specifically identify the place of delivery for each deliverable item.
227.7203–3 Early identification of computer software or computer software documentation to be furnished to the Government with restrictions on use, reproduction or disclosure.

(a) Use the provision at 252.227–7017, Identification and Assertion of Use, Release, or Disclosure Restrictions, in all solicitation that include the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation. The provision requires offerors to identify any computer software or computer software documentation for which restrictions, other than copyright, on use, modification, reproduction, release, performance, display, or disclosure are asserted and to attach the identification and assertion to the offer.

(b) Subsequent to contract award, the clause at 252.227–7014 permits a contractor, under certain conditions, to make additional assertions of restrictions. The prescriptions for the use of that clause and its alternates are at 227.7203–6(a).

227.7203–4 License rights.

(a) Grant of license. The Government obtains rights in computer software or computer software documentation, including a copyright license, under an irrevocable license granted or obtained by the contractor which developed the software or documentation or the licensor of the software or documentation if the development contractor is not the licensor. The contractor or licensor retains all rights in the software or documentation not granted to the Government. The scope of a computer software license is generally determined by the source of funds used to develop the software. Contractors or licensors may, with some exceptions, restrict the Government’s rights to use, modify, reproduce, release, perform, display, or disclose computer software developed exclusively or partially at private expense (see 227.7203–5 (b) and (c)). They may not, without the Government’s agreement (see 227.7203–5(d)), restrict the Government’s rights in computer software developed exclusively with Government funds or in computer software documentation required to be delivered under a contract.

(b) Source of funds determination. The determination of the source of funds used to develop computer software should be made at the lowest practicable segregable portion of the software or documentation (e.g., a software sub-routine that performs a specific function). Contractors may assert restricted rights in a segregable portion of computer software which otherwise qualifies for restricted rights under the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation.

227.7203–5 Government rights.

The standard license rights in computer software that a licensor grants to the Government are unlimited rights, government purpose rights, or restricted rights. The standard license in computer software documentation conveys unlimited rights. Those rights are defined in the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation. In usual situations, the standard rights may not satisfy the Government’s needs or the Government may be willing to accept lesser rights in return for other consideration. In those cases, a special license may be negotiated. However, the licensor is not obligated to provide the Government greater rights and the contracting officer is not required to accept lesser rights than the rights provided in the standard grant of license. The situations under which a particular grant of license applies are enumerated in paragraphs (a) through (d) of this subsection.

(a) Unlimited rights. The Government obtains an unlimited rights license in—

(1) Computer software developed exclusively with Government funds;

(2) Computer software documentation required to be delivered under a Government contract;

(3) Corrections or changes to computer software or computer software documentation furnished to the contractor by the Government;
(4) Computer software or computer software documentation that is otherwise publicly available or has been released or disclosed by the contractor or subcontractor without restrictions on further use, release or disclosure other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the software to another party or the sale or transfer of some or all of a business entity or its assets to another party; (5) Computer software or computer software documentation obtained with unlimited rights under another Government contract or as a result of negotiations; or (6) Computer software or computer software documentation furnished to the Government, under a Government contract or subcontract with— (i) Restricted rights in computer software, limited rights in technical data, or government purpose license rights and the restrictive conditions have expired; or (ii) Government purpose rights and the contractor's exclusive right to use such software or documentation for commercial purposes has expired.  (b) Government purpose rights. (1) Except as provided in paragraph (a) of this subsection, the Government obtains government purpose rights in computer software developed with mixed funding.  (2) The period during which government purpose rights are effective is negotiable. The clause at 232.227-7014 provides a nominal five-year period. Either party may request a different period. Changes to the government purpose rights period may be made at any time prior to delivery of the software without consideration from either party. Longer periods should be negotiated when a five-year period does not provide sufficient time to commercialize the software or, for software developed by subcontractors, when necessary to recognize the subcontractors' interests in the software. (3) The government purpose rights period commences upon execution of the contract, subcontract, letter contract (or similar contractual instrument), contract modification, or option exercise that required development of the computer software. Upon expiration of the government purpose rights period, the Government has unlimited rights in the software including the right to authorize others to use data for commercial purposes. (4) During the government purpose rights period, the Government may not use, or authorize other persons to use, computer software marked with government purpose rights legends for commercial purposes. The Government shall not release or disclose, or authorize others to release or disclose, computer software in which it has government purpose rights to any person unless— (i) Prior to release or disclosure, the intended recipient is subject to the use and non-disclosure agreement at 227.7103–7; or (ii) The intended recipient is a Government contractor receiving access to the software for performance of a Government contract that contains the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends. (5) When computer software marked with government purpose rights legends will be released or disclosed to a Government contractor performing a contract that does not include the clause at 252.227–7025, the contract may be modified, prior to release or disclosure, to include such clause in lieu of requiring the contractor to complete a use and non-disclosure agreement. (6) Contracting activities shall establish procedures to assure that computer software or computer software documentation marked with government purpose rights legends are released or disclosed, including a release or disclosure through a Government solicitation, only to persons subject to the use and non-disclosure requirements. Public announcements in the Commerce Business Daily or other publications must provide notice of the use and non-disclosure requirements. Class use and non-disclosure agreements (e.g., agreements covering all solicitations received by the XYZ company within a reasonable period) are authorized and may be obtained at any time prior to release or disclosure of the government purpose rights software or
Defense Acquisition Regulations System, DOD 227.7203–6

documentation. Documents transmitting government purpose rights software or documentation to persons under class agreements shall identify the specific software or documentation subject to government purpose rights and the class agreement under which such software or documentation are provided.

(c) Restricted rights. (1) The Government obtains restricted rights in noncommercial computer software, required to be delivered or otherwise provided to the Government under a contract, that was developed exclusively at private expense.

(2) Contractors are not required to provide the Government additional rights in computer software delivered or otherwise provided to the Government with restricted rights. When the Government has a need for additional rights, the Government must negotiate with the contractor to determine if there are acceptable terms for transferring such rights. List or describe all software in which the contractor has granted the Government additional rights in a license agreement made part of the contract (see paragraph (d) of this subsection). The license shall enumerate the specific additional rights granted to the Government.

(d) Specifically negotiated license rights. Negotiate specific licenses when the parties agree to modify the standard license rights granted to the Government or when the Government wants to obtain rights in computer software in which it does not have rights. When negotiating to obtain, relinquish, or increase the Government’s rights in computer software, consider the planned software maintenance philosophy, anticipated time or user sharing requirements, and other factors which may have relevance for a particular procurement. If negotiating to relinquish rights in computer software documentation, consider the administrative burden associated with protecting documentation subject to restrictions from unauthorized release or disclosure. The negotiated license rights must stipulate the rights granted to the Government to use, modify, reproduce, release, perform, display, or disclose the software or documentation and the extent to which the Government may authorize others to do so. Identify all negotiated rights in a license agreement made part of the contract.

(e) Rights in derivative computer software or computer software documentation. The clause at 252.227–7014 protects the Government’s rights in computer software, computer software documentation, or portions thereof that the contractor subsequently uses to prepare derivative software or subsequently embeds or includes in other software or documentation. The Government retains the rights it obtained under the development contract in the unmodified portions of the derivative software or documentation.


227.7203–6 Contract clauses.

(a)(1) Use the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, in solicitations and contracts when the successful offeror(s) will be required to deliver computer software or computer software documentation. Do not use the clause when the only deliverable items are technical data (other than computer software documentation), commercial computer software or commercial computer software documentation, commercial items (see 227.7102–3), special works (see 227.7205), or contracts under the Small Business Innovation Research Program (see 227.7104). Except as provided in 227.7107–2, do not use the clause in architect-engineer and construction contracts.

(2) Use the clause at 252.227–7014 with its Alternate I in research contracts when the contracting officer determines, in consultation with counsel, that public dissemination by the contractor would be—

(i) In the interest of the Government; and

(ii) Facilitated by the Government relinquishing its right to publish the work for sale, or to have others publish the work for sale on behalf of the Government.

(b) Use the clause at 252.227–7016, Rights in Bid or Proposal Information, in solicitations and contracts that include the clause at 252.227–7014.
(c) Use the clause at 252.227–7019, Validation of Asserted Restrictions—Computer Software, in solicitations and contracts that include the clause at 252.227–7014. The clause provides procedures for the validation of asserted restrictions on the Government’s rights to use, release, or disclose computer software.

(d) Use the provision at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, in solicitations and contracts when it is anticipated that the Government will provide the contractor, for performance of its contract, computer software or computer software documentation marked with another contractor’s restrictive legend(s).

(e) Use the provision at 252.227–7028, Technical Data or Computer Software Previously Delivered to the Government, in solicitations when the resulting contract will require the contractor to deliver computer software or computer software documentation. The provision requires offerors to identify any software or documentation specified in the solicitation as deliverable items that are the same or substantially the same as software or documentation which the offeror has delivered or is obligated to deliver, either as a contractor or subcontractor, under any other federal agency contract.

(f) Use the clause at 252.227–7037, Validation of Restrictive Markings on Technical Data, in solicitations and contracts that include the clause at 252.227–7014 when the contractor will be required to deliver noncommercial computer software documentation (technical data). The clause implements statutory requirements under 10 U.S.C. 2321. Paragraph (e) of the clause contains information that must be included in a formal challenge.


227.7203–7 [Reserved]

227.7203–8 Deferred delivery and deferred ordering of computer software and computer software documentation.

(a) Deferred delivery. Use the clause at 252.227–7026, Deferred Delivery of Technical Data or Computer Software, when it is in the Government’s interests to defer the delivery of computer software or computer software documentation. The clause permits the contracting officer to require the delivery of data identified as “deferred delivery” data or computer software at any time until two years after acceptance by the Government of all items (other than technical data or computer software) under the contract or contract termination, whichever is later. The obligation of subcontractors or suppliers to deliver such data expires two years after the date the prime contractor accepts the last item from the subcontractor or supplier for use in the performance of the contract. The contract must specify the computer software or computer software documentation that is subject to deferred delivery. The contracting officer shall notify the contractor sufficiently in advance of the desired delivery date for such software or documentation to permit timely delivery.

(b) Deferred ordering. Use the clause at 252.227–7027, Deferred Ordering of Technical Data or Computer Software, when a firm requirement for software or documentation has not been established prior to contract award but there is a potential need for computer software or computer software documentation. Under this clause the contracting officer may order any computer software or computer software documentation generated in the performance of the contract or any subcontract thereunder at any time until three years after acceptance of all items (other than technical data or computer software) under the contract or contract termination, whichever is later. The obligation of subcontractors to deliver such technical data or computer software expires three years after the date the contractor accepts the last item under the subcontract. When the software or documentation are ordered, the delivery dates shall be negotiated and the contractor compensated only for converting the software or documentation into the prescribed form, reproduction costs, and delivery costs.
227.7203–9 Copyright.

(a) Copyright license. (1) The clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, requires a contractor to grant, or obtain for the Government license rights which permit the Government to reproduce the software or documentation, distribute copies, perform or display the software or documentation and, through the right to modify data, prepare derivative works. The extent to which the Government, and others acting on its behalf, may exercise these rights varies for each of the standard data rights licenses obtained under the clause. When non-standard license rights in computer software or computer software documentation will be negotiated, negotiate the extent of the copyright license concurrent with negotiations for the data rights license. Do not negotiate copyright licenses for computer software that provide less rights than the standard restricted rights in computer software license. For computer software documentation, do not negotiate a copyright license that provides less rights than the standard limited rights in technical data license.

(2) The clause at 252.227–7013, Rights in Technical Data—Noncommercial Items, does not permit a contractor to incorporate a third party’s copyrighted software into a deliverable software item unless the contractor has obtained an appropriate license for the Government and, when applicable, others acting on the Government’s behalf, or has obtained the contracting officer’s written approval to do so. Grant approval to use third party copyrighted software in which the Government will not receive a copyright license only when the Government’s requirements cannot be satisfied without the third party material or when the use of the third party material will result in cost savings to the Government which outweigh the lack of a copyright license.

(b) Copyright considerations—special works. See 227.7203 for copyright considerations when acquiring special works.

227.7203–10 Contractor identification and marking of computer software or computer software documentation to be furnished with restrictive markings.

(a) Identification requirements. (1) The solicitation provision at 252.227–7017, Identification and Assertion of Use, Release, or Disclosure Restrictions, requires offerors to identify, prior to contract award, any computer software or computer software documentation that an offeror asserts should be provided to the Government with restrictions on use, modification, reproduction, release, or disclosure. This requirement does not apply to restrictions based solely on copyright. The notification and identification must be submitted as an attachment to the offer. If an offeror fails to submit the attachment or fails to complete the attachment in accordance with the requirements of the solicitation provision, such failure shall constitute a minor informality. Provide offerors an opportunity to remedy a minor informality in accordance with the procedures at FAR 14.405 or 15.306(a). An offeror’s failure to correct an informality within the time prescribed by the contracting officer shall render the offer ineligible for award.

(2) The procedures for correcting minor informalities shall not be used to obtain information regarding asserted restrictions or an offeror’s suggested asserted rights category. Questions regarding the justification for an asserted restriction or asserted rights category must be pursued in accordance with the procedures at 227.7203–13.

(3) The restrictions asserted by a successful offeror shall be attached to its contract unless, in accordance with the procedures at 227.7203–13, the parties have agreed that an asserted restriction is not justified. The contract attachment shall provide the same information regarding identification of the computer software or computer software documentation, the asserted rights category, the basis for the assertion, and the name of the person asserting the restrictions as required by paragraph (d) of the solicitation provision at 252.227–7017. Subsequent to contract award, the clause at 252.227–7014, Rights in Noncommercial Computer
Software and Noncommercial Computer Software Documentation, permits a contractor to make additional assertions under certain conditions. The additional assertions must be made in accordance with the procedures and in the format prescribed by that clause.

(4) Neither the pre- or post-award assertions made by the contractor nor the fact that certain assertions are identified in the attachment to the contract, determine the respective rights of the parties. As provided at 227.7203-13, the Government has the right to review, verify, challenge and validate restrictive markings.

(5) Information provided by offerors in response to the solicitation provision at 252.227-7017 may be used in the source selection process to evaluate the impact on evaluation factors that may be created by restrictions on the Government’s ability to use or disclose computer software or computer software documentation.

(b) Contractor marking requirements. The clause at 252.227-7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation—

(1) Requires a contractor who desires to restrict the Government’s rights in computer software or computer software documentation to place restrictive markings on the software or documentation, provides instructions for the placement of the restrictive markings, and authorizes the use of certain restrictive markings. When it is anticipated that the software will or may be used in combat or situations which simulate combat conditions, do not permit contractors to insert instructions into computer programs that interfere with or delay operation of the software to display a restrictive rights legend or other license notice; and

(2) Requires a contractor to deliver, furnish, or otherwise provide to the Government any computer software or computer software documentation in which the Government has previously obtained rights with the Government’s pre-existing rights in that software or documentation unless the parties have agreed otherwise or restrictions on the Government’s rights to use, modify, produce, release, or disclose the software or documentation have expired. When restrictions are still applicable, the contractor is permitted to mark the software or documentation with the appropriate restrictive legend.

(c) Unmarked computer software or computer software documentation. (1) Computer software or computer software documentation delivered or otherwise provided under a contract without restrictive markings shall be presumed to have been delivered with unlimited rights and may be released or disclosed without restriction. To the extent practicable, if a contractor has requested permission (see paragraph (c)(2) of this subsection) to correct an inadvertent omission of markings, do not release or disclose the software or documentation pending evaluation of the request.

(2) A contractor may request permission to have appropriate legends placed on unmarked computer software or computer software documentation at its expense. The request must be received by the contracting officer within six months following the furnishing or delivery of such software or documentation, or any extension of that time approved by the contracting officer. The person making the request must—

(i) Identify the software or documentation that should have been marked;

(ii) Demonstrate that the omission of the marking was inadvertent, the proposed marking is justified and conforms with the requirements for the marking of computer software or computer software documentation contained in the clause at 252.227-7014; and

(iii) Acknowledge, in writing, that the Government has no liability with respect to any disclosure, reproduction, or use of the software or documentation made prior to the addition of the marking or resulting from the omission of the marking.

(3) Contracting officers should grant permission to mark only if the software or documentation were not distributed outside the Government or were distributed outside the Government with restrictions on further use or disclosure.

227.7203–11 Contractor procedures and records.

(a) The clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, requires a contractor, and its subcontractors or suppliers that will deliver computer software or computer software documentation with other than unlimited rights, to establish and follow written procedures to assure that restrictive markings are used only when authorized and to maintain records to justify the validity of restrictive markings.

(b) The clause at 252.227–7019, Validation of Asserted Restrictions—Computer Software, requires contractors and their subcontractors or suppliers at any tier to maintain records sufficient to justify the validity of markings that assert restrictions on the use, modification, reproduction, release, performance, display, or disclosure of computer software.

227.7203–12 Government right to establish conformity of markings.

(a) Nonconforming markings. (1) Authorized markings are identified in the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation. All other markings are nonconforming markings. An authorized marking that is not in the form, or differs in substance, from the marking requirements in the clause at 252.227–7014 is also a nonconforming marking.

(2) The correction of nonconforming markings on computer software is not subject to 252.227–7019, Validation of Asserted Restrictions—Computer Software, and the correction of nonconforming markings on computer software documentation (technical data) is not subject to 252.227–7037, Validation of Restrictive Markings on Technical Data. To the extent practicable, the contracting officer should return computer software or computer software documentation bearing nonconforming markings to the person who has placed the nonconforming markings on the software or documentation to provide that person an opportunity to correct or strike the nonconforming markings at that person’s expense. If that person fails to correct the nonconformity and return the corrected software or documentation within 60 days following the person’s receipt of the software or documentation, the contracting officer may correct or strike the nonconformity at the person’s expense. When it is impracticable to return computer software or computer software documentation for correction, contracting officers may unilaterally correct any nonconforming markings at Government expense. Prior to correction, the software or documentation may be used in accordance with the proper restrictive marking.

(b) Unjustified markings. (1) An unjustified marking is an authorized marking that does not depict accurately restrictions applicable to the Government’s use, modification, reproduction, release, or disclosure of the marked computer software or computer software documentation. For example, a restricted rights legend placed on computer software developed under a Government contract either exclusively at Government expense or with mixed funding (situations under which the Government obtains unlimited or government purpose rights) is an unjustified marking.

(2) Contracting officers have the right to review and challenge the validity of unjustified markings. However, at any time during performance of a contract and notwithstanding existence of a challenge, the contracting officer and the person who has asserted a restrictive marking may agree that the restrictive marking is not justified. Upon such agreement, the contracting officer may, at his or her election, either—

(i) Strike or correct the unjustified marking at that person’s expense; or

(ii) Return the computer software or computer software documentation to the person asserting the restriction for correction at that person’s expense. If the software or documentation are returned and that person fails to correct or strike the unjustified restriction and return the corrected software or documentation to the contracting officer within 60 days following receipt of the software or documentation, the unjustified marking shall be corrected or stricken at that person’s expense.
227.7203–13 Government right to review, verify, challenge and validate asserted restrictions.

(a) General. An offeror’s or contractor’s assertion(s) of restrictions on the Government’s rights to use, modify, reproduce, release, or disclose computer software or computer software documentation do not, by themselves, determine the extent of the Government’s rights in such software or documentation. The Government may require an offeror or contractor to submit sufficient information to permit an evaluation of a particular asserted restriction and may challenge asserted restrictions when there are reasonable grounds to believe that an assertion is not valid.

(b) Requests for information. Contracting officers should have a reason to suspect that an asserted restriction might not be correct prior to requesting information. When requesting information, provide the offeror or contractor the reason(s) for suspecting that an asserted restriction might not be correct. A need for additional license rights is not, by itself, a sufficient basis for requesting information concerning an asserted restriction. Follow the procedures at 227.7203–5(d) when additional license rights are needed but there is no basis to suspect that an asserted restriction might not be valid.

(c) Transacting matters directly with subcontractors. The clause at 252.227–7019, Validation of Asserted Restrictions—Computer Software, obtains the contractor’s agreement that the Government may transact matters under the clause directly with a subcontractor or supplier, at any tier, without creating or implying privity of contract. Contracting officers should permit a subcontractor or supplier to transact challenge and validation matters directly with the Government when—

(1) A subcontractor’s or supplier’s business interests in its technical data would be compromised if the data were disclosed to a higher tier contractor.

(2) There is reason to believe that the contractor will not respond in a timely manner to a challenge and an untimely response would jeopardize a sub-contractor’s or supplier’s right to assert restrictions; or

(3) Requested to do so by a subcontractor or supplier.

(d) Major systems. When the contracting officer challenges an asserted restriction regarding noncommercial computer software for a major system or a subsystem or component thereof on the basis that the computer software was not developed exclusively at private expense, the contracting officer shall sustain the challenge unless information provided by the contractor or subcontractor demonstrates that the computer software was developed exclusively at private expense.

(e) Challenging asserted restrictions—

(1) Pre-award considerations. The challenge procedures in the clause at 252.227–7019 could significantly delay competitive procurements. Therefore, avoid challenging asserted restrictions prior to a competitive contract award unless resolution of the assertion is essential for successful completion of the procurement.

(2) Computer software documentation. Computer software documentation is technical data. Challenges to asserted restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose computer software documentation must be made in accordance with the clause at 252.227–7037, Validation of Restrictive Markings on Technical Data, and the guidance at 227.7103–13. The procedures in the clause at 252.227–7037 implement requirements contained in 10 U.S.C. 2321. Resolution of questions regarding the validity of asserted restrictions using the process described at 227.7103–12(b)(2) is strongly encouraged.

(3) Computer software. (i) Asserted restrictions should be reviewed before acceptance of the computer software deliverable under a contract. The Government’s right to challenge an assertion expires three years after final payment under the contract or three years after delivery of the software, whichever is later. Those limitations on the Government’s challenge rights do not apply to software that is publicly available, has been furnished to the Government
Defense Acquisition Regulations System, DOD 227.7203–14

without restrictions, or has been otherwise made available without restrictions.

(ii) Contracting officers must have reasonable grounds to challenge the current validity of an asserted restriction. Before challenging an asserted restriction, carefully consider all available information pertaining to the asserted restrictions. Resolution of questions regarding the validity of asserted restrictions using the process described at 227.7203–12(b)(2) is strongly encouraged. After consideration of the situations described in paragraph (c) of this subsection, contracting officers may request the person asserting a restriction to furnish a written explanation of the facts and supporting documentation for the assertion in sufficient detail to enable the contracting officer to determine the validity of the assertion. Additional supporting documentation may be requested when the explanation provided by that person does not, in the contracting officer’s opinion, establish the validity of the assertion.

(iii) Assertions may be challenged whether or not supporting documentation was requested. Challenges must be in writing and issued to the person asserting the restriction.

(4) Extension of response time. The contracting officer, at his or her discretion, may extend the time for response contained in a challenge, as appropriate, if the contractor submits a timely written request showing the need for additional time to prepare a response.

(f) Validating or denying asserted restrictions. (1) Contracting officers must promptly issue a final decision denying or sustaining the validity of each challenged assertion unless the parties have agreed on the disposition of the assertion. When a final decision denying the validity of an asserted restriction is made following a timely response to a challenge, the Government is obligated to continue to respect the asserted restrictions through final disposition of any appeal unless the agency head notifies the person asserting the restriction that urgent or compelling circumstances do not permit the Government to continue to respect the asserted restriction. See 232.227–7019(g) for restrictions applicable following a determination of urgent and compelling circumstances.

(2) Only a contracting officer’s final decision, or actions of an agency Board of Contract Appeals or a court of competent jurisdiction, that sustain the validity of an asserted restriction constitute validation of the restriction.

(g) Multiple challenges to an asserted restriction. When more than one contracting officer challenges an asserted restriction, the contracting officer who made the earliest challenge is responsible for coordinating the Government challenges. That contracting officer shall consult with all other contracting officers making challenges, verify that all challenges apply to the same asserted restriction and, after consulting with the contractor, subcontractor, or supplier asserting the restriction, issue a schedule that provides that person a reasonable opportunity to respond to each challenge.


227.7203–14 Conformity, acceptance, and warranty of computer software and computer software documentation.

(a) Computer software documentation. Computer software documentation is technical data. See 227.7103–14 for appropriate guidance and statutory requirements.

(b) Computer software—(1) Conformity and acceptance. Solicitations and contracts requiring the delivery of computer software shall specify the requirements the software must satisfy to be acceptable. Contracting officers, or their authorized representatives, are responsible for determining whether computer software tendered for acceptance conforms to the contractual requirements. Except for nonconforming restrictive markings (follow the procedures at 227.7203–12(a) if nonconforming markings are the sole reason computer software tendered for acceptance fails to conform to contractual requirements), do not accept software that
227.7203–15 Subcontractor rights in computer software or computer software documentation.

(a) Subcontractors and suppliers at all tiers should be provided the same protection for their rights in computer software or computer software documentation as are provided to prime contractors.

(b) The clauses at 252.227–7019, Validation of Assumed Restrictions—Computer Software, and 252.227–7037, Validation of Restrictive Markings on Technical Data, obtain a contractor’s agreement that the Government’s transaction of validation or challenge matters directly with subcontractors at any tier does not establish or imply privity of contract. When a subcontractor or supplier exercises its right to transact validation matters directly with the Government, contracting officers shall deal directly with such persons, as provided at 227.7203–13(c) for computer software and 227.7103–15(c)(3) for computer software documentation (technical data).

(c) Require prime contractors whose contracts include the following clauses to include those clauses, without modification except for appropriate identification of the parties, in contracts with subcontractors or suppliers who will be furnishing computer software in response to a Government requirement (see 227.7103–15(c) for clauses required when subcontractors or suppliers will be furnishing computer software documentation (technical data)):

1. 252.227.7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation;
2. 252.227.7019, Validation of Asserted Restrictions—Computer Software;
3. 252.227.7025, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends; and
4. 252.227.7028, Technical Data or Computer Software Previously Delivered to the Government.

(d) Do not require contractors to have their subcontractors or suppliers at any tier relinquish rights in technical data to the contractor, a higher tier subcontractor, or to the Government, as a condition for award of any contract, subcontract, purchase order, or similar instrument except for the rights obtained by the Government under the provisions of the Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation clause contained in the contractor’s contract with the Government.

227.7203–16 Providing computer software or computer software documentation to foreign governments, foreign contractors, or international organizations.

Computer software or computer software documentation may be released or disclosed to foreign governments, foreign contractors, or international
organizations only if release or disclosure is otherwise permitted both by Federal export controls and other national security laws or regulations. Subject to such laws and regulations, the Department of Defense—

(a) May release or disclose computer software or computer software documentation in which it has obtained unlimited rights to such foreign entities or authorize the use of such data by those entities; and

(b) Shall not release or disclose computer software or computer software documentation for which restrictions on use, release, or disclosure have been asserted to such foreign entities or authorize the use of such data by those entities, unless the intended recipient is subject to the same provisions as included in the use and non-disclosure agreement at 227.7103–7 and the requirements of the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, governing use, modification, reproduction, release, performance, display, or disclosure of such data have been satisfied.

227.7203–17 Overseas contracts with foreign sources.

(a) The clause at 252.227–7032, Rights in Technical Data and Computer Software (Foreign), may be used in contracts with foreign contractors to be performed overseas, except Canadian purchases (see paragraph (c) of this subsection) in lieu of the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, when the Government requires the unrestricted right to use, modify, reproduce, release, perform, display, or disclose all computer software or computer software documentation to be delivered under the contract. Do not use the clause in contracts for special works.

(b) When the Government does not require unlimited rights, the clause at 252.227–7032 may be modified to accommodate the needs of a specific overseas procurement situation. The Government should obtain rights to the computer software or computer software documentation that are not less than the rights the Government would have obtained under the software rights clause(s) prescribed in this part for a comparable procurement performed within the United States or its outlying areas.

(c) Contracts for Canadian purchases shall include the appropriate software rights clause prescribed in this part for a comparable procurement performed within the United States or its outlying areas.

[56 FR 36389, July 31, 1991, as amended at 70 FR 35545, June 21, 2005]

227.7204 Contracts under the Small Business Innovation Research Program.

When contracting under the Small Business Innovation Research Program, follow the procedures at 227–7104.


227.7205 Contracts for special works.

(a) Use the clause at 252.227–7020, Rights in Special Works, in solicitations and contracts where the Government has a specific need to control the distribution of computer software or computer software documentation first produced, created, or generated in the performance of a contract and required to be delivered under that contract, including controlling distribution by obtaining an assignment of copyright, or a specific need to obtain indemnity for liabilities that may arise out of the creation, delivery, use, modification, reproduction, release, performance, display, or disclosure of such software or documentation. Use the clause—

(1) In lieu of the clause at 252.227–7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, when the Government must own or control copyright in all computer software or computer software documentation first produced, created, or generated and required to be delivered under a contract; or

(2) In addition to the clause at 252.227–7014 when the Government must own or control copyright in some of the computer software or computer software documentation first produced, created, or generated and required to be delivered under a contract; or

be delivered under a contract. The specific software or documentation in which the Government must own or control copyright must be identified in a special contract requirement.

(b) Although the Government obtains an assignment of copyright and unlimited rights in the computer software or computer software documentation delivered as a special work under the clause at 252.227-7020, the contractor retains use and disclosure rights in that software or documentation. If the Government needs to restrict a contractor’s rights to use or disclose a special work, it must also negotiate a special license which specifically restricts the contractor’s use or disclosure rights.

(c) The clause at 252.227-7020 does not permit a contractor to incorporate into a special work any work copyrighted by others unless the contractor obtains the contracting officer’s permission to do so and obtains for the Government a non-exclusive, paid up, world-wide license to make and distribute copies of that work, to prepare derivative works, to perform or display any portion of that work, and to permit others to do so for government purposes. Grant permission only when the Government’s requirements cannot be satisfied unless the third party work is included in the deliverable work.

(d) Examples of other works which may be procured under the clause at 252.227-7020 include, but are not limited to, audiovisual works, scripts, soundtracks, musical compositions, and adaptations; histories of departments, agencies, services or units thereof; surveys of Government establishments; instructional works or guidance to Government officers and employees on the discharge of their official duties; reports, books, studies, surveys or similar documents; collections of data containing information pertaining to individuals that, if disclosed, would violate the right of privacy or publicity of the individuals to whom the information relates; or investigative reports.

227.7206 Contracts for architect-engineer services.

Follow 227.7107 when contracting for architect-engineer services.

227.7207 Contractor data repositories.

Follow 227.7108 when it is in the Government’s interests to have a data repository include computer software or to have a separate computer software repository. Contractual instruments establishing the repository requirements must appropriately reflect the repository manager’s software responsibilities.

PART 228—BONDS AND INSURANCE

Subpart 228.1—Bonds

Sec. 228.102 Performance and payment bonds for construction contracts.

228.102–1 General.

228.102–70 Defense Environmental Restoration Program construction contract.

228.105 Other types of bonds.

228.106 Administration.

228.106–7 Withholding contract payments.

228.170 Solicitation provision.

Subpart 228.3—Insurance

228.304 Risk-pooling arrangements.

228.305 Overseas workers’ compensation and war-hazard insurance.

228.307 Insurance under cost-reimbursement contracts.

228.307–1 Group insurance plans.

228.311 Solicitation provision and contract clause on liability insurance under cost-reimbursement contracts.

228.311–1 Contract clause.

228.370 Additional clauses.


SOURCE: 56 FR 36404, July 31, 1991, unless otherwise noted.

Subpart 228.1—Bonds

228.102 Performance and payment bonds for construction contracts.

228.102–1 General.

The requirement for performance and payment bonds is waived for cost-reimbursement contracts. However, for cost-type contracts with fixed-price construction subcontracts over $30,000, require the prime contractor to obtain from each of its construction subcontractors performance and payment protections in favor of the prime contractor as follows:
(1) For fixed-price construction subcontracts over $30,000, but not exceeding $150,000, payment protection sufficient to pay labor and material costs, using any of the alternatives listed at FAR 28.102-1(b)(1).

(2) For fixed-price construction subcontracts over $100,000—
   (i) A payment bond sufficient to pay labor and material costs; and
   (ii) A performance bond in an equal amount if available at no additional cost.


228.102-70 Defense Environmental Restoration Program construction contracts.

For Defense Environmental Restoration Program construction contracts entered into pursuant to 10 U.S.C. 2701—

(a) Any rights of action under the performance bond shall only accrue to, and be for the exclusive use of, the obligee named in the bond;

(b) In the event of default, the surety’s liability on the performance bond is limited to the cost of completion of the contract work, less the balance of unexpended funds. Under no circumstances shall the liability exceed the penal sum of the bond;

(c) The surety shall not be liable for indemnification or compensation of the obligee for loss or liability arising from personal injury or property damage, even if the injury or damage was caused by a breach of the bonded contract; and

(d) Once it has taken action to meet its obligations under the bond, the surety is entitled to any indemnification and identical standard of liability to which the contractor was entitled under the contract or applicable laws and regulations.

[68 FR 36945, June 20, 2003]

228.105 Other types of bonds.

Fidelity and forgery bonds generally are not required but are authorized for use when—

(1) Necessary for the protection of the Government or the contractor; or

(2) The investigative and claims services of a surety company are desired.

[70 FR 8338, Feb. 22, 2005]

228.106 Administration.

228.106-7 Withholding contract payments.

(a) Withholding may be appropriate in other than construction contracts (see FAR 32.112-1(b)).


228.170 Solicitation provision.

When a requirement for a performance bond or other security is included in a solicitation for dismantling, demolition, or removal of improvements (see FAR 37.300), use the provision at 252.228-7004, Bonds or Other Security. Set a period of time (normally ten days) for return of executed bonds.

Subpart 228.3—Insurance

228.304 Risk-pooling arrangements.

DoD has established the National Defense Projects Rating Plan, also known as the Special Casualty Insurance Rating Plan, as a risk-pooling arrangement to minimize the cost to the Government of purchasing the liability insurance listed in FAR 28.307-2. Use the plan in accordance with the procedures at PGI 228.304 when it provides the necessary coverage more advantageously than commercially available coverage.

[69 FR 65091, Nov. 10, 2004]

228.305 Overseas workers’ compensation and war-hazard insurance.

(d) When submitting requests for waiver, follow the procedures at PGI 228.305(d).

[69 FR 65091, Nov. 10, 2004]

228.307 Insurance under cost-reimbursement contracts.

228.307-1 Group insurance plans.

The Defense Department Group Term Insurance Plan is available for contractor use under cost-reimbursement type contracts when approved as provided in department or agency regulations. A contractor is eligible if—
228.311 Solicitation provision and contract clause on liability insurance under cost-reimbursement contracts.

(a) The number of covered employees is 500 or more; and
(b) The contractor has all cost-reimbursement contracts; or
(c) At least 90 percent of the payroll for contractor operations to be covered by the Plan is under cost-reimbursement contracts.

228.311–1 Contract clause.

Use the clause at FAR 52.228–7, Insurance—Liability to Third Persons, in solicitations and contracts, other than those for construction and those for architect-engineer services, when a cost-reimbursement contract is contemplated, unless the head of the contracting activity waives the requirement for use of the clause.


228.370 Additional clauses.

(a) Use the clause at 252.228–7000, Reimbursement for War-Hazard Losses, when—

(1) The clause at FAR 52.228–4, Worker’s Compensation and War-Hazard Insurance Overseas, is used; and

(2) The head of the contracting activity decides not to allow the contractor to buy insurance for war-hazard losses.

(b)(1) Use the clause at 252.228–7001, Ground and Flight Risk, in all solicitations and contracts for the acquisition, development, production, modification, maintenance, repair, flight, or overhaul of aircraft, except those solicitations and contracts—

(i) That are strictly for activities incidental to the normal operations of the aircraft (e.g., refueling operations, minor non-structural actions not requiring towing such as replacing aircraft tires due to wear and tear);

(ii) That are awarded under FAR Part 12 procedures and are for the development, production, modification, maintenance, repair, flight, or overhaul of aircraft; or otherwise involving the furnishing of aircraft;

(iii) For which a non-DoD customer (including a foreign military sales customer) has not agreed to assume the risk for loss or destruction of, or damages to, the aircraft; or

(iv) For commercial derivative aircraft that are to be maintained to Federal Aviation Administration (FAA) airworthiness when the work will be performed at a licensed FAA repair station.

(2) The clause at 252.228–7001 may be modified only as follows:

(i) Include a modified definition of “aircraft” if the contract covers other than conventional types of winged aircraft, i.e., helicopters, vertical take-off or landing aircraft, lighter-than-air airships, unmanned aerial vehicles, or other nonconventional aircraft. The modified definition should describe a stage of manufacture comparable to the standard definition.

(ii) Modify “in the open” to include “hush houses,” test hangars and comparable structures, and other designated areas.

(iii) Expressly define the “contractor’s premises” where the aircraft will be located during and for contract performance. These locations may include contract premises which are owned or leased by the contractor or subcontractor, or premises where the contractor or subcontractor is a permittee or licensee or has a right to use, including Government airfields.

(iv) Revise paragraph (e)(3) of the clause to provide Government assumption of risk for transportation by conveyance on streets or highways when transportation is—

(A) Limited to the vicinity of contractor premises; and

(B) Incidental to work performed under the contract.

(3) Follow the procedures at PGI 228.370(b) when using the clause at 252.228–7001.

(c) The clause at 252.228–7003, Capture and Detention, may be used when contractor employees are subject to capture and detention and may not be covered by the War Hazards Compensation Act (42 U.S.C. 1701 et seq.).

(d) The clause at 252.228–7005, Accident Reporting and Investigation Involving Aircraft, Missiles, and Space Launch Vehicles, may be used in solicitations and contracts which involve the manufacture, modification, overhaul, or repair of these items.
(e) Use the clause at 252.228–7006, Compliance with Spanish Laws and Insurance, in solicitations and contracts for services or construction to be performed in Spain, unless the contractor is a Spanish concern.


PART 229—TAXES

Subpart 229.1—General

Sec. 229.101 Resolving tax problems.

229.170 Reporting of foreign taxation on U.S. assistance programs.

229.170–1 Definition.

Commodities, as used in this section, means any materials, articles, supplies, goods, or equipment.

[70 FR 57192, Sept. 30, 2005]

229.170–2 Policy.

(a) By law, bilateral agreements with foreign governments must include a provision that commodities acquired under contracts funded by U.S. assistance programs shall be exempt from taxation by the foreign government. If taxes or customs duties nevertheless are imposed, the foreign government must reimburse the amount of such taxes to the U.S. Government (Section 579 of Division E of the Consolidated Appropriations Act, 2003 (Pub. L. 108–7), as amended by Section 506 of Division D of the Consolidated Appropriations Act, 2004 (Pub. L. 108–199), and similar sections in subsequent acts).

(b) This foreign tax exemption—

(1) Applies to a contract or subcontract for commodities when—

(i) The funds are appropriated by the annual foreign operations appropriations act; and

(ii) The value of the contract or subcontract is $500 or more;

(2) Does not apply to the acquisition of services;

(3) Generally is implemented through letters of offer and acceptance, other country-to-country agreements, or Federal interagency agreements; and

(4) Requires reporting of noncompliance for effective implementation.

[70 FR 57192, Sept. 30, 2005]

229.170–3 Reports.

The contracting officer shall submit a report to the designated Security Assistance Office when a foreign government or entity imposes tax or customs duties on commodities acquired under contracts or subcontracts meeting the criteria of 229.170–2(b)(1). Follow the procedures at PGI 229.170–3 for submission of reports.

[70 FR 57192, Sept. 30, 2005]
229.170–4 Contract clause.
Use the clause at 252.229–7011, Reporting of Foreign Taxes—U.S. Assistance Programs, in solicitations and contracts funded with U.S. assistance appropriations provided in the annual foreign operations appropriations act.
[70 FR 57192, Sept. 30, 2005]

Subpart 229.4—Contract Clauses

Source: 62 FR 34125, June 24, 1997, unless otherwise noted.

229.402 Foreign contracts.

229.402–1 Foreign fixed-price contracts.
Use the clause at 252.229–7000, Invoices Exclusive of Taxes or Duties, in solicitations and contracts when a fixed-price contract will be awarded to a foreign concern.

229.402–70 Additional clauses.
(a) Use the clause at 252.229–7001, Tax Relief, in solicitations and contracts when a contract will be awarded to a foreign concern in a foreign country. When contract performance will be in Germany, use the clause with its Alternate I.
(b) Use the clause at 252.229–7002, Customs Exemptions (Germany), in solicitations and contracts requiring the import of U.S. manufactured products into Germany.
(c) Use the clause at 252.229–7003, Customs Exemptions (Italy), in solicitations and contracts when contract performance will be in Italy.
(d) Use the clause at 252.229–7004, Status of Contractor as a Direct Contractor (Spain), in solicitations and contracts requiring the import into Spain of supplies for construction, development, maintenance, or operation of Spanish-American installations and facilities.
(e) Use the clause at 252.229–7005, Tax Exemptions (Spain), in solicitations and contracts when contract performance will be in Spain.
(f) Use the clause at 252.229–7006, Value Added Tax Exclusion (United Kingdom), in solicitations and contracts when contract performance will be in the United Kingdom.

(g) Use the clause at 252.229–7007, Verification of United States Receipt of Goods, in solicitations and contracts when contract performance will be in the United Kingdom.
(h) Use the clause at 252.229–7008, Relief from Import Duty (United Kingdom), in solicitations issued and contracts awarded in the United Kingdom.
(i) Use the clause at 252.229–7009, Relief from Customs Duty and Value Added Tax on Fuel (Passenger Vehicles) (United Kingdom), in solicitations issued and contracts awarded in the United Kingdom for fuels (gasoline or diesel) and lubricants used in passenger vehicles (excluding taxis).
(j) Use the clause at 252.229–7010, Relief from Customs Duty on Fuel (United Kingdom), in solicitations issued and contracts awarded in the United Kingdom that require the use of fuels (gasoline or diesel) and lubricants in taxis or vehicles other than passenger vehicles.

Subpart 229.70—Special Procedures for Overseas Contracts

Source: 70 FR 6375, Feb. 7, 2005, unless otherwise noted.

Note: To obtain tax relief for overseas contracts, follow the procedures at PGI 229.70.

PART 230—COST ACCOUNTING STANDARDS ADMINISTRATION

Subpart 230.2—CAS Program Requirements

Sec. 230.201–5 Waiver.


Source: 56 FR 36406, July 31, 1991, unless otherwise noted.

Subpart 230.2—CAS Program Requirements

230.201–5 Waiver.

(a)(1)(A) The military departments and the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics)—
(1) May grant CAS waivers that meet the conditions in FAR 30.201–5(b)(1); and
Defense Acquisition Regulations System, DOD

231.205–1

(2) May grant CAS waivers that meet the conditions in FAR 30.201–5(b)(2), provided the cognizant Federal agency official granting the waiver determines that—

(i) The property or services cannot reasonably be obtained under the contract, subcontract, or modification, as applicable, without granting the waiver;

(ii) The price can be determined to be fair and reasonable without the application of the Cost Accounting Standards; and

(iii) There are demonstrated benefits to granting the waiver.

(B) Follow the procedures at PGI 230.201–5(a)(1) for submitting waiver requests to the Director, Defense Procurement and Acquisition Policy.

(2) The military departments shall not delegate CAS waiver authority below the individual responsible for issuing contracting policy for the department.

(e) By November 30th of each year, the military departments shall provide a report to the Director, Defense Procurement and Acquisition Policy, ATTN: DPAP/CPF, of all waivers granted under FAR 30.201–5(a), during the previous fiscal year, for any contract, subcontract, or modification expected to have a value of $15,000,000 or more. See PGI 230.201–5(e) for format and guidance for the report. The Director, Defense Procurement and Acquisition Policy, will submit a consolidated report to the CAS Board and the congressional defense committees.

[71 FR 68495, Dec. 1, 2006]

PART 231—CONTRACT COST PRINCIPLES AND PROCEDURES

Subpart 231.1—Applicability

Sec.
231.100 Scope of subpart.
231.100–70 Contract clause.

Subpart 231.2—Contracts With Commercial Organizations

231.205 Selected costs.
231.205–1 Public relations and advertising costs.
231.205–6 Compensation for personal services.
231.205–18 Independent research and development and bid and proposal costs.
231.205–19 Insurance and indemnification.
231.205–22 Legislative lobbying costs.
231.205–70 External restructuring costs.

Subpart 231.3—Contracts With Educational Institutions

231.303 Requirements.

Subpart 231.6—Contracts With State, Local, and Federally Recognized Indian Tribal Governments

231.603 Requirements.

Subpart 231.7—Contracts With Nonprofit Organizations

231.703 Requirements.


SOURCE: 56 FR 36498, July 31, 1991, unless otherwise noted.

Subpart 231.1—Applicability

231.100 Scope of subpart.

231.100–70 Contract clause.

Use the clause at 252.231–7000, Supplemental Cost Principles, in all solicitations and contracts which are subject to the principles and procedures described in FAR subpart 31.1, 31.2, 31.6, or 31.7.

[59 FR 27672, May 27, 1994]

Subpart 231.2—Contracts With Commercial Organizations

231.205 Selected costs.

231.205–1 Public relations and advertising costs.

(e) See 225.7303–2(e) for allowability provisions affecting foreign military sales contracts.

(f) Unallowable public relations and advertising costs also include monies paid to the Government associated with the leasing of Government equipment, including lease payments and reimbursement for support services, except for foreign military sales contracts as provided for at 225.7303–2.

[74 FR 68382, Dec. 24, 2009]
231.205–6 Compensation for personal services.

(f)(1) In accordance with Section 8122 of Pub. L. 104–61, and similar sections in subsequent Defense appropriations acts, costs for bonuses or other payments in excess of the normal salary paid by the contractor to an employee, that are part of restructuring costs associated with a business combination, are unallowable under DoD contracts funded by fiscal year 1996 or subsequent appropriations. This limitation does not apply to severance payments or early retirement incentive payments. (See 231.205–70(b) for the definitions of “business combination” and “restructuring costs.”)

231.205–18 Independent research and development and bid and proposal costs.

(a) Definitions. As used in this subsection—

(i) Covered contract means a DoD prime contract for an amount exceeding the simplified acquisition threshold, except for a fixed-price contract without cost incentives. The term also includes a subcontract for an amount exceeding the simplified acquisition threshold, except for a fixed-price subcontract without cost incentives under such a prime contract.

(ii) Covered segment means a product division of the contractor that allocated more than $1,100,000 in IR&D/B&P costs to covered contracts during the preceding fiscal year. In the case of a contractor that has no product divisions, the term means that contractor as a whole. A product division of the contractor that allocated less than $1,100,000 in IR&D/B&P costs to covered contracts during the preceding fiscal year is not subject to the limitations in paragraph (c) of this subsection.

(iii) Major contractor means any contractor whose covered segments allocated a total of more than $11,000,000 in IR&D/B&P costs to covered contracts during the preceding fiscal year. For purposes of calculating the dollar threshold amounts to determine whether a contractor meets the definition of “major contractor,” do not include contractor segments allocating less than $1,100,000 of IR&D/B&P costs to covered contracts during the preceding fiscal year.

(c) Allowability. (i) Departments/agencies shall not supplement this regulation in any way that limits IR&D/B&P cost allowability.

(ii) See 225.7303–2(c) for allowability provisions affecting foreign military sale contracts.

(iii) For major contractors, the following limitations apply:

(A) The amount of IR&D/B&P costs allowable under DoD contracts shall not exceed the lesser of—

(1) Such contracts’ allocable share of total incurred IR&D/B&O costs; or

(2) The amount of incurred IR&D/B&P costs for projects having potential interest to DoD.

(B) Allowable IR&D/B&P costs are limited to those for projects that are of potential interest to DoD, including activities intended to accomplish any of the following:

(1) Enable superior performance of future U.S. weapon systems and components.

(2) Reduce acquisition costs and life-cycle costs of military systems.

(3) Strengthen the defense industrial and technology base of the United States.

(4) Enhance the industrial competitiveness of the United States.

(5) Promote the development of technologies identified as critical under 10 U.S.C. 2522.

(6) Increase the development and promotion of efficient and effective applications of dual-use technologies.

(7) Provide efficient and effective technologies for achieving such environmental benefits as: Improved environmental data gathering, environmental cleanup and restoration, pollution reduction in manufacturing, environmental conservation, and environmentally safe management of facilities.
(iv) For major contractors, the cognizant administrative contracting officer (ACO) or corporate ACO shall—

(A) Determine whether IR&D/B&P projects are of potential interest to DoD; and

(B) Provide the results of the determination to the contractor.

(v) The cognizant contract administration office shall furnish contractors with guidance on financial information needed to support IR&D/B&P costs and on technical information needed from major contractors to support the potential interest to DoD determination (also see 242.771–3).

[64 FR 8729, Feb. 23, 1999]

231.205–19 Insurance and indemnification.

(e) In addition to the cost limitations in FAR 31.205–19(e), self-insurance and purchased insurance costs are subject to the requirements of the clauses at 252.217–7012, Liability and Insurance, and 252.228–7001, Ground and Flight Risk.

[75 FR 32645, June 8, 2010]

231.205–22 Legislative lobbying costs.

(a) Costs associated with preparing any material, report, list, or analysis on the actual or projected economic or employment impact in a particular State or congressional district of an acquisition program for which research, development, testing, and evaluation has not been completed also are unallowable (10 U.S.C. 2249).

[69 FR 63332, Nov. 1, 2004]

231.205–70 External restructuring costs.

(a) Scope. This subsection—

(1) Prescribes policies and procedures for allowing contractor external restructuring costs when savings would result for DoD; and

(2) Implements 10 U.S.C. 2325.

(b) Definitions. As used in this subsection:

(1) Business combination means a transaction whereby assets or operations of two or more companies not previously under common ownership or control are combined, whether by merger, acquisition, or sale/purchase of assets.

(2) External restructuring activities means restructuring activities occurring after a business combination that affect the operations of companies not previously under common ownership or control. They do not include restructuring activities occurring after a business combination that affect the operations of only one of the companies not previously under common ownership or control, or, when there has been no business combination, restructuring activities undertaken within one company. External restructuring activities are a direct outgrowth of a business combination. They normally will be initiated within 3 years of the business combination.

(3) Restructuring activities means non-routine, nonrecurring, or extraordinary activities to combine facilities, operations, or workforce, in order to eliminate redundant capabilities, improve future operations, and reduce overall costs. Restructuring activities do not include routine or ongoing repositionings and redeployments of a contractor’s productive facilities or workforce (e.g., normal plant rearrangement or employee relocation), nor do they include other routine or ordinary activities charged as indirect costs that would otherwise have been incurred (e.g., planning and analysis, contract administration and oversight, or recurring financial and administrative support).

(4) Restructuring costs means the costs, including both direct and indirect, of restructuring activities. Restructuring costs that may be allowed include, but are not limited to, severance pay for employees, early retirement incentive payments for employees, employee retraining costs, relocation expense for retained employees, and relocation and rearrangement of plant and equipment. For purposes of this definition, if restructuring costs associated with external restructuring activities allocated to DoD contracts are less than $2.5 million, the costs shall not be subject to the audit, review, and determination requirements of paragraph (c)(4) of this subsection; instead, the normal rules for determining cost allowability in accordance with FAR part 31 shall apply.
Restructuring savings means cost reductions, including both direct and indirect cost reductions, that result from restructuring activities. Reassignments of cost to future periods are not restructuring savings.

(c) Limitations on cost allowability. Restructuring costs associated with external restructuring activities shall not be allowed unless—

(1) Such costs are allowable in accordance with FAR part 31 and DFARS part 231;

(2) An audit of projected restructuring costs and restructuring savings is performed;

(3) The cognizant administrative contracting officer (ACO) reviews the audit report and the projected costs and projected savings, and negotiates an advance agreement in accordance with paragraph (d) of this subsection; and

(4)(i) The official designated in paragraph (c)(4)(ii) of this subsection determines in writing that the audited projected savings, on a present value basis, for DoD resulting from the restructuring will exceed either—

(A) The costs allowed by a factor of at least two to one; or

(B) The business combination will result in the preservation of a critical capability that might otherwise be lost to DoD.

(ii) (A) If the amount of restructuring costs is expected to exceed $25 million over a 5-year period, the designated official is the Under Secretary of Defense (Acquisition, Technology, and Logistics) or the Principal Deputy. This authority may not be delegated below the level of an Assistant Secretary of Defense.

(B) For all other cases, the designated official is the Director of the Defense Contract Management Agency. The Director may not delegate this authority.

(d) Procedures and ACO responsibilities. As soon as it is known that the contractor will incur restructuring costs for external restructuring activities, the cognizant ACO shall follow the procedures at PGI 231.205–70(d).

(e) Information needed to obtain a determination. (1) The novation agreement (if one is required).
Defense Acquisition Regulations System, DOD

Subpart 231.3—Contracts With Educational Institutions

231.303 Requirements.

(1) Pursuant to section 841 of the National Defense Authorization Act for Fiscal Year 1994 (Pub. L. 103–160), no limitation may be placed on the reimbursement of otherwise allowable indirect costs incurred by an institution of higher education under a DoD contract awarded on or after November 30, 1993, unless that same limitation is applied uniformly to all other organizations performing similar work under DoD contracts. The 26 percent limitation imposed on administrative indirect costs by OMB Circular No. A–21 shall not be applied to DoD contracts awarded on or after November 30, 1993, to institutions of higher education because the same limitation is not applied to other organizations performing similar work.

(2) The cognizant administrative contracting officer may waive the prohibition in 231.303(1) if the governing body of the institution of higher education requests the waiver to simplify the institution’s overall management of DoD cost reimbursements under DoD contracts.

(3) Under 10 U.S.C. 2249, the costs cited in 231.205–22(a) are unallowable.


Subpart 231.6—Contracts With State, Local, and Federally Recognized Indian Tribal Governments

231.603 Requirements.

Under 10 U.S.C. 2249, the costs cited in 231.205–22(a) are unallowable.


Subpart 231.7—Contracts With Nonprofit Organizations

231.703 Requirements.

Under 10 U.S.C. 2249, the costs cited in 231.205–22(a) are unallowable.


PART 232—CONTRACT FINANCING

Sec.
232.001 Definitions.
232.006 Reduction or suspension of contract payments upon finding of fraud.
232.006–5 Reporting.
232.007 Contract financing payments.
232.070 Responsibilities.
232.071 [Reserved]
232.072 Financial responsibility of contractors.
232.072–1 Required financial reviews.
232.072–2 Appropriate information.
232.072–3 Cash flow forecasts.

Subpart 232.1—Non-Commercial Item Purchase Financing

232.102 Description of contract financing methods.
232.102–70 Provisional delivery payments.

Subpart 232.2—Commercial Item Purchase Financing

232.206 Solicitation provisions and contract clauses.

Subpart 232.3—Loan Guarantees for Defense Production

232.302 Authority.

Subpart 232.4—Advance Payments for Non-Commercial Items

232.404 Exclusions.
232.409 Contracting officer action.
232.409–1 Recommendation for approval.
232.410 Findings, determination, and authorization.
232.412 Contract clause.
232.412–70 Additional clauses.
232.470 Advance payment pool.

Subpart 232.5—Progress Payments Based on Costs

232.501 General.
232.501–1 Customary progress payment rates.
232.501–2 Unusual progress payments.
232.001 Definitions.

Incremental funding means the partial funding of a contract or an exercised option, with additional funds anticipated to be provided at a later time.

232.006 Reduction or suspension of contract payments upon finding of fraud.

232.006–5 Reporting.

Departments and agencies in accordance with department/agency procedures, shall prepare and submit to the Under Secretary of Defense (Acquisition, Technology, and Logistics), through the Director of Defense Procurement and Acquisition Policy, annual reports (Report Control Symbol DD-AT&L(A) 1891) containing the information required by FAR 32.006–5.

232.007 Contract financing payments.

(a) DoD policy is to make contract financing payments as quickly as possible. Generally, the contracting officer shall insert the standard due dates of 7 days for progress payments, and 14 days for performance-based payments and interim payments on cost-type contracts.
contracts, in the appropriate paragraphs of the respective payment clauses. For interim payments on cost-reimbursement contracts for services, see 232.906(a)(i).

(b) The contracting officer should coordinate contract financing payment terms with offices that will be involved in the payment process to ensure that specified terms can be met. Where justified, the contracting officer may insert a due date greater than, but not less than, the standard. In determining payment terms, consider—

(i) Geographical separation;
(ii) Workload;
(iii) Contractor ability to submit a proper request; and
(iv) Other factors that could affect timing of payment.

[70 FR 75412, Dec. 20, 2005]

232.070 Responsibilities.

(a) The Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)DPAP) is responsible for ensuring uniform administration of DoD contract financing, including DoD contract financing policies and important related procedures. Agency discretion under FAR part 32 is at the DoD level and is not delegated to the departments and agencies. Proposals by the departments and agencies, to exercise agency discretion, shall be submitted to OUSD(AT&L)DPAP.

(b) Departments and agencies are responsible for their day-to-day contract financing operations. Refer specific cases involving financing policy or important procedural issues to OUSD(AT&L)DPAP for consideration through the department/agency Contract Finance Committee members (also see Subpart 201.4 for deviation request and approval procedures).

(c) See PGI 232.070(c) for information on department/agency contract financing offices.


232.071 [Reserved]

232.072 Financial responsibility of contractors.

Use the policies and procedures in this section in determining the financial capability of current or prospective contractors.

[63 FR 11535, Mar. 9, 1998]

232.072–1 Required financial reviews.

The contracting officer shall perform a financial review when the contracting officer does not otherwise have sufficient information to make a positive determination of financial responsibility. In addition, the contracting officer shall consider performing a financial review—

(a) Prior to award of a contract, when—

(1) The contractor is on a list requiring preaward clearance or other special clearance before award;
(2) The contractor is listed on the Consolidated List of Contractors Indebted to the Government (Hold-Up List), or is otherwise known to be indebted to the Government;
(3) The contractor may receive Government assets such as contract financing payments or Government property;
(4) The contractor is experiencing performance difficulties on other work; or
(5) The contractor is a new company or a new supplier of the item.

(b) At periodic intervals after award of a contract, when—

(1) Any of the conditions in paragraphs (a)(2) through (a)(5) of this subsection are applicable; or
(2) There is any other reason to question the contractor's ability to finance performance and completion of the contract.

[63 FR 11535, Mar. 9, 1998]

232.072–2 Appropriate information.

(a) The contracting officer shall obtain the type and depth of financial and other information that is required to establish a contractor's financial capability or disclose a contractor's financial condition. While the contracting officer should not request information that is not necessary for
protection for the Government's interests, the contracting officer must insist upon obtaining the information that is necessary. The unwillingness or inability of a contractor to present reasonably requested information in a timely manner, especially information that a prudent business person would be expected to have and to use in the professional management of a business, may be a material fact in the determination of the contractor's responsibility and prospects for contract completion.

(b) The contracting officer shall obtain the following information to the extent required to protect the Government's interest. In addition, if the contracting officer concludes that information not listed in paragraphs (b)(1) through (b)(10) of this subsection is required to comply with 232.072-1, that information should be requested. The information must be for the person(s) who are legally liable for contract performance. If the contractor is not a corporation, the contracting officer shall obtain the required information for each individual/joint venturer/partner:

(1) Balance sheet and income statement—
   (i) For the current fiscal year (interim);
   (ii) For the most recent fiscal year and, preferably, for the 2 preceding fiscal years. These should be certified by an independent public accountant or by an appropriate officer of the firm; and
   (iii) Forecasted for each fiscal year for the remainder of the period of contract performance.

(2) Summary history of the contractor and its principal managers, disclosing any previous insolvencies—corporate or personal, and describing its products or services.

(3) Statement of all affiliations disclosing—
   (i) Material financial interests of the contractor;
   (ii) Material financial interests in the contractor;
   (iii) Material affiliations of owners, officers, directors, major stockholders; and
   (iv) The major stockholders if the contractor is not a widely-traded, publicly-held corporation.

(4) Statement of all forms of compensation to each officer, manager, partner, joint venturer, or proprietor, as appropriate—
   (i) Planned for the current year;
   (ii) Paid during the past 2 years; and
   (iii) Deferred to future periods.

(5) Business base and forecast that—
   (i) Shows, by significant markets, existing contracts and outstanding offers, including those under negotiation; and
   (ii) Is reconcilable to indirect cost rate projections.

(6) Cash forecast for the duration of the contract (see 232.072-3).

(7) Financing arrangement information that discloses—
   (i) Availability of cash to finance contract performance;
   (ii) Contractor's exposure to financial crisis from creditor's demands;
   (iii) Degree to which credit security provisions could conflict with Government title terms under contract financing;
   (iv) Clearly stated confirmations of credit with no unacceptable qualifications;
   (v) Unambiguous written agreement by a creditor if credit arrangements include deferred trade payments or creditor subordinations/repayment suspensions.

(8) Statement of all state, local, and Federal tax accounts, including special mandatory contributions, e.g., environmental superfund.

(9) Description and explanation of the financial effect of issues such as—
   (i) Leases, deferred purchase arrangements, or patent or royalty arrangements;
   (ii) Insurance, when relevant to the contract;
   (iii) Contemplated capital expenditures, changes in equity, or contractor debt load;
   (iv) Pending claims either by or against the contractor;
   (v) Contingent liabilities such as guarantees, litigation, environmental, or product liabilities;
   (vi) Validity of accounts receivable and actual value of inventory, as assets; and
   (vii) Status and aging of accounts payable.

(10) Significant ratios such as—
   (i) Inventory to annual sales;
(ii) Inventory to current assets;
(iii) Liquid assets to current assets;
(iv) Liquid assets to current liabilities;
(v) Current assets to current liabilities; and
(vi) Net worth to net debt.

[63 FR 11535, Mar. 9, 1998]

232.072–3 Cash flow forecasts.

(a) A contractor must be able to sustain a sufficient cash flow to perform the contract. When there is doubt regarding the sufficiency of a contractor’s cash flow, the contracting officer should require the contractor to submit a cash flow forecast covering the duration of the contract.

(b) A contractor’s inability of refusal to prepare and provide cash flow forecasts or to reconcile actual cash flow with previous forecasts is a strong indicator of serious managerial deficiencies or potential contract cost or performance problems.

(c) Single or one-time cash flow forecasts are of limited forecasting power. As such, they should be limited to preaward survey situations. Reliability of cash flow forecasts can be established only by comparing a series of previous actual cash flows with the corresponding forecasts and examining the causes of any differences.

(d) Cash flow forecasts must—
   (1) Show the origin and use of all material amounts of cash within the entire business unit responsible for contract performance, period by period, for the length of the contract (or until the risk of a cash crisis ends); and
   (2) Provide an audit trail to the data and assumptions used to prepare it.

(e) Cash flow forecasts can be no more reliable than the assumptions on which they are based. Most important of these assumptions are—
   (1) Estimated amounts and timing of purchases and payments for materials, parts, components, subassemblies, and services;
   (2) Estimated amounts and timing of payments of purchase or production of capital assets, test facilities, and tooling;
   (3) Amounts and timing of fixed cash charges such as debt installments, interest, rentals, taxes, and indirect costs;
   (4) Estimated amounts and timing of payments for projected labor, both direct and indirect;
   (5) Reasonableness of projected manufacturing and production schedules;
   (6) Estimated amounts and timing of billings to customers (including progress payments), and customer payments;
   (7) Estimated amounts and timing of cash receipts from lenders or other credit sources, and liquidation of loans; and
   (8) Estimated amount and timing of cash receipt from other sources.

(f) The contracting officer should review the assumptions underlying the cash flow forecasts. In determining whether the assumptions are reasonable and realistic, the contracting officer should consult with—
   (1) The contractor;
   (2) Government personnel in the areas of finance, engineering, production, cost, and price analysis; or
   (3) Prospective supply, subcontract, and loan or credit sources.

[63 FR 11536, Mar. 9, 1998]

Subpart 232.1—Non-Commercial Item Purchase Financing

SOURCE: 63 FR 11536, Mar. 9, 1998, unless otherwise noted.

232.102 Description of contract financing methods.

(e)(2) Progress payments based on percentage or stage of completion are authorized only for contracts for construction (as defined in FAR 36.102), shipbuilding, and ship conversion, alteration, or repair. However, percentage or state of completion methods of measuring contractor performance may be used for performance-based payments in accordance with FAR Subpart 32.10.

232.102–70 Provisional delivery payments.

(a) The contracting officer may establish provisional delivery payments to pay contractors for the costs of supplies and services delivered to and accepted by the Government under the following contract actions if undefinitized:
(1) Letter contracts contemplating a fixed-price contract.
(2) Orders under basic ordering agreements.
(3) Spares provisioning documents annexed to contracts.
(4) Unpriced equitable adjustments on fixed-price contracts.
(5) Orders under indefinite-delivery contracts.

(b) Provisional delivery payments shall be—
(1) Used sparingly;
(2) Priced conservatively; and
(3) Reduced by liquidating previous progress payments in accordance with the Progress Payments clause.

(c) Provisional delivery payments shall not—
(1) Include profit;
(2) Exceed funds obligated for the undefinitized contract action; or
(3) Influence the definitized contract price.

Subpart 232.2—Commercial Item Purchase Financing

SOURCE: 63 FR 11537, Mar. 9, 1998, unless otherwise noted.


(a)(2) When determining whether an offeror’s financial condition is adequate security, see 232.072–2 and 232.072–3 for guidance. It should be noted that an offeror’s financial condition may be sufficient to make the contractor responsible for award purposes, but may not be adequate security for commercial contract financing.

232.206 Solicitation provisions and contract clauses.

(f) Prompt payment for commercial purchase payments. The contracting officer shall incorporate the following standard prompt payment terms for commercial item contract financing:
(i) Commercial advance payments: The contractor entitlement date specified in the contract, or 30 days after receipt by the designated billing office of a proper request for payment, whichever is later.
(ii) Commercial interim payments: The contractor entitlement date specified in the contract, or 14 days after receipt by the designated billing office of a proper request for payment, whichever is later. The prompt payment standards for commercial delivery payments shall be the same as specified in FAR Subpart 32.9 for invoice payments for the item delivered.

(1) Commercial advance payments: The contractor entitlement date specified in the contract, or 30 days after receipt by the designated billing office of a proper request for payment, whichever is later. The prompt payment standards for commercial delivery payments shall be the same as specified in FAR Subpart 32.9 for invoice payments for the item delivered.

(g) Installment payment financing for commercial items. Installment payment financing shall not be used for DoD contracts, unless market research has established that this form of contract financing is both appropriate and customary in the commercial marketplace. When installment payment financing is used, the contracting officer shall use the ceiling percentage of contract price that is customary in the particular marketplace (not to exceed the maximum rate established in FAR 52.232–30).

[63 FR 11537, Mar. 9, 1998, as amended at 70 FR 75413, Dec. 20, 2005]

Subpart 232.3—Loan Guarantees for Defense Production

232.302 Authority.

(a) The use of guaranteed loans as a contract financing mechanism requires the availability of certain congressional authority. The DoD has not requested such authority in recent years, and none is now available.

Subpart 232.4—Advance Payments for Non-Commercial Items

232.404 Exclusions.

(a)(9) The requirements of FAR subpart 32.4 do not apply to advertisements in high school and college publications for military recruitment efforts under 10 U.S.C. 503 when the contract cost does not exceed the micro-purchase threshold.

232.409 Contracting officer action.

232.409–1 Recommendation for approval.

Follow the procedures at PGI 232.409–1 for preparation of the documents required by FAR 32.409–1(e) and (f).

[70 FR 75413, Dec. 20, 2005]

232.410 Findings, determination, and authorization.

If an advance payment procedure is used without a special bank account, follow the procedures at PGI 232.410.

[70 FR 75413, Dec. 20, 2005]

232.412 Contract clause.

232.412–70 Additional clauses.

(a) Use the clause at 252.232–7000, Advance Payment Pool, in any contract that will be subject to the terms of an advance payment pool agreement with a nonprofit organization or educational institution. Normally, use the clause in all cost reimbursement type contracts with the organization or institution.

(b) Use the clause at 252.232–7001, Disposition of Payments, in contracts when payments under the contract are to be made by a disbursing office not designated in the advance payment pool agreement.

(c) Use the clause at 252.232–7005, Reimbursement of Subcontractor Advance Payments—DoD Pilot Mentor-Protege Program, when advance payments will be provided by the contractor to a subcontractor pursuant to an approved mentor-protege agreement (See subpart 219.71).


232.470 Advance payment pool.

(a) An advance payment pool agreement—

(1) Is a means of financing the performance of more than one contract held by a single contractor;

(2) Is especially convenient for the financing of cost-type contracts with nonprofit educational or research institutions for experimental or research and development work when several contracts require financing by advance payments. When appropriate, pooled advance payments may also be used to finance other types of contracts held by a single contractor; and

(3) May be established—

(i) Without regard to the number of appropriations involved;

(ii) To finance contracts for one or more department(s) or contracting activity(ies); or

(iii) In addition to any other advance payment pool agreement at a single contractor location when it is more convenient or otherwise preferable to have more than one agreement.

Subpart 232.5—Progress Payments Based on Costs

232.501 General.

232.501–1 Customary progress payment rates.

(a) The customary progress payment rates for DoD contracts, including contracts that contain foreign military sales (FMS) requirements, are 80 percent for large business concerns, 90 percent for small business concerns, and 95 percent for small disadvantaged business concerns.

[66 FR 49865, Oct. 1, 2001]

232.501–2 Unusual progress payments.

Follow the procedures at PGI 232.501–2 for approval of unusual progress payments.

[70 FR 75413, Dec. 20, 2005]


(b) The contracting officer may approve progress payments when the contract price exceeds the funds obligated under the contract, provided the contract limits the Government’s liability to the lesser of—

(i) The applicable rate (i.e., the lower of the progress payment rate, the liquidation rate, or the loss-ratio adjusted rate); or

(ii) 100 percent of the funds obligated.

232.502 Preaward matters.

232.502–1 Use of customary progress payments.

(b)(1) If the contractor is a small disadvantaged business, progress payments may be provided when the contract will involve $65,000 or more.


232.502–4–70 Additional clauses.

(a) Use the clause at 252.232–7002, Progress Payments for Foreign Military Sales Acquisitions, in solicitations and contracts that—

(i) Contain FMS requirements; and

(ii) Provide for progress payments.

(b) Use the clause at 252.232–7004, DoD Progress Payment Rates, instead of Alternate I of the clause at FAR 52.232–16, if the contractor is a small business or small disadvantaged business concern.

[56 FR 36409, July 31, 1991, as amended at 60 FR 29499, June 5, 1995; 65 FR 39722, June 27, 2000]

232.503 Postaward matters.

232.503–6 Suspension or reduction of payments.

(b) Contractor noncompliance. See also 242.7503.

(g) Loss contracts. Use the following loss ratio adjustment procedures for making adjustments required by FAR 32.503–6(f) and (g)—

(i) Except as provided in paragraph (g)(ii) of this subsection, the contracting officer must prepare a supplementary analysis of the contractor’s request for progress payments and calculate the loss ratio adjustment using the procedures in FAR 32.503–6(g).

(ii) The contracting officer may request the contractor to prepare the supplementary analysis as an attachment to the progress payment request when the contracting officer determines that the contractor’s methods of estimating the “Costs to Complete” are reliable, accurate, and not susceptible to improper influences.

(iii) To maintain an audit trail and permit verification of calculations, do not make the loss ratio adjustments by altering or replacing data on the contractor’s original request for progress payment (SF 1443, Contractor’s Request for Progress Payment, or computer generated equivalent).

[56 FR 36409, July 31, 1991, as amended at 60 FR 29499, June 5, 1995; 65 FR 39722, June 27, 2000]


(d) An administrative contracting officer (ACO) determination that the contractor’s material management and accounting system conforms to the standard at 252.242–7004(e)(7) constitutes the contracting officer approval requirement of FAR 32.503–15(d).

Prior to granting blanket approval of cost transfers between contracts, the ACO should determine that—

(i) The contractor retains records of the transfer activity that took place in the prior month;

(ii) The contractor prepares, at least monthly, a summary of the transfer activity that took place in the prior month; and

(iii) The summary report includes as a minimum, the total number and dollar value of transfers.


Subpart 232.6—Contract Debts

232.605 Responsibilities and cooperation among Government officials.

(b) Disbursing officers are those officials designated to make payments under a contract or to receive payments of amounts due under a contract. The disbursing officer is responsible for determining the amount and collecting contract debts whenever overpayments or erroneous payments have been made. The disbursing officer also has primary responsibility when the amounts due and dates for payment are contained in the contract, and a copy of the contract has been furnished to the disbursing officer with notice to collect as amounts become due.

232.606 Debt determination and collection.

When transferring a case to the contract financing office, follow the procedures at PGI 232.606.

[70 FR 75413, Dec. 20, 2005]

232.610 Demand for payment of contract debt.

When issuing a demand for payment of a contract debt, follow the procedures at PGI 232.610.

[70 FR 75413, Dec. 20, 2005]

232.616 Compromise actions.

Only the department/agency contract financing offices (see 232.070(c)) are authorized to compromise debts covered by this subpart.


232.617 Contract clause.

(a) The Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), may exempt the contracts in FAR 32.617(a)(2) through (5) and other contracts, in exceptional circumstances, from the administrative interest charges required by this subpart.

(7) Other exceptions are—

(A) Contracts for instructions of military or ROTC personnel at civilian schools, colleges, and universities;

(B) Basic agreements with telephone companies for communications services and facilities, and purchases under such agreements; and

(C) Transportation contracts with common carriers for common carrier services.

[70 FR 75413, Dec. 20, 2005]

232.670 Transfer of responsibility for debt collection.

Follow the procedures at PGI 232.670 for transferring responsibility for debt collection.

[70 FR 75413, Dec. 20, 2005]

232.671 Bankruptcy reporting.

Follow the procedures at PGI 232.671 for bankruptcy reporting.

[70 FR 75413, Dec. 20, 2005]

Subpart 232.7—Contract Funding

SOURCE: 58 FR 46092, Sept. 1, 1993, unless otherwise noted.

232.702 Policy.

Fixed-price contracts shall be fully funded except as permitted by 232.703–1.

232.703 Contract funding requirements.

232.703–1 General.

(1) A fixed-price contract may be incrementally funded only if—

(i) The contract (excluding any options) or any exercised option—

(A) Is for severable services;

(B) Does not exceed one year in length; and

(C) Is incrementally funded using funds available (unexpired) as of the date the funds are obligated; or

(ii) The contract uses funds available from multiple (two or more) fiscal years and—

(A) The contract is funded with research and development appropriations; or

(B) Congress has otherwise authorized incremental funding.

(2) An incrementally funded fixed-price contract shall be fully funded as soon as funds are available.

[71 FR 18673, Apr. 12, 2006]

232.703–3 Contracts crossing fiscal years.

(b) The contracting officer may enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed 1 year (10 U.S.C. 2410a).

[64 FR 28110, May 25, 1999]

232.703–70 Military construction appropriations act restriction.

Annual military construction appropriations acts restrict the use of funds appropriated by the acts for payments under cost-plus-fixed-fee contracts (see 216.306(c)).

[61 FR 7744, Feb. 29, 1996]
232.704 Limitation of cost or funds.

232.704–70 Incrementally funded fixed-price contracts.

(a) Upon receipt of the contractor’s notice under paragraph (c) of the clause at 252.232–7007, Limitation of Government’s Obligation, the contracting officer shall promptly provide written notice to the contractor that the Government is—

(1) Allotting additional funds for continued performance and increasing the Government’s limitation of obligation in a specified amount;

(2) Terminating the contract; or

(3) Considering whether to allot additional funds; and

(i) The contractor is entitled by the contract terms to stop work when the Government’s limitation of obligation is reached; and

(ii) Any costs expended beyond the Government’s limitation of obligation are at the contractor’s risk.

(b) Upon learning that the contract will receive no further funds, the contracting officer shall promptly give the contractor written notice of the Government’s decision and terminate for the convenience of the Government.

(c) The contracting officer shall ensure that, in accordance with paragraph (b) of the clause at 252.232–7007, Limitation of Government’s Obligation, sufficient funds are allotted to the contract to cover the total amount payable to the contractor in the event of termination for the convenience of the Government.

232.705 Contract clauses.

232.705–70 Clause for limitation of Government’s obligation.

Use the clause at 252.232–7007, Limitation of Government’s Obligation, in solicitations and resultant incrementally funded fixed-price contracts. The contracting officer may revise the contractor’s notification period, in paragraph (c) of the clause, from “ninety” to “thirty” or “sixty” days, as appropriate.

232.803 Policies.

(b) Only contracts for personal services may prohibit the assignment of claims.

(d) Pursuant to 41 U.S.C. 6305, and in accordance with Presidential delegation dated October 3, 1995, Secretary of Defense delegation dated February 5, 1996, and Under Secretary of Defense (Acquisition, Technology, and Logistics) delegation dated February 23, 1996, the Director of Defense Procurement determined on May 10, 1996, that a need exists for DoD to agree not to reduce or set off any money due or to become due under the contract when the proceeds under the contract have been assigned in accordance with the Assignment of Claims provision of the contract. This determination was published in the Federal Register on June 11, 1996, as required by law. Nevertheless, if departments/agencies decide it is in the Government’s interests, or if the contracting officer makes a determination in accordance with FAR 32.803(d) concerning a significantly indebted offeror, they may exclude the no-setoff commitment.


232.805 Procedure.

(b) The assignee shall forward—

(i) To the administrative contracting officer (ACO), a true copy of the instrument of assignment and an original and three copies of the notice of assignment. The ACO shall acknowledge receipt by signing and dating all copies of the notice of assignment and shall—

(A) File the true copy of the instrument of assignment and the original of the notice in the contract file;

(B) Forward two copies of the notice to the disbursing officer of the payment office cited in the contract;

(C) Return a copy of the notice to the assignee; and

(D) Advise the contracting officer of the assignment.

(ii) To the surety or sureties, if any, a true copy of the instrument of assignment and an original and three
Defense Acquisition Regulations System, DOD

232.901

(i) Support infrastructure, hardware, communications capabilities, and bandwidth are not consistently available such that normal business operations can be carried out;

(ii) Support resources, facilities, and banking needs are not consistently available for use as necessary in carrying out normal business operations;

(iii) Military mission priorities override the availability of appropriately skilled personnel in support of back-office operations;

(iv) Mobility impairments and security concerns restrict free movement of personnel and documents necessary for timely processing;

(v) Foreign vendors are not familiar with or do not understand DoD contract requirements (i.e., proper invoice, receiving documentation, and contracting terms); or

(vi) Documents received in support of payment requests and shipments require language translations that cannot be performed and documented within normal business processing times.

[Subpart 232.9—Prompt Payment]

232.901 Applicability.

(i) The head of the contracting activity has made a determination, after consultation with the cognizant comptroller, that conditions exist that limit normal business operations; and

(ii) Payments will be made in the operational area or made contingent upon receiving supporting documentation (i.e., contract, invoice, and receiving report) from the operational area.

(2) Criteria limiting normal business operations during emergencies and contingency operations that restrict the use of FAR 32.9 may include such conditions as—

(1) Except for FAR 32.908, FAR subpart 32.9, Prompt Payment, does not apply when—

(i) There is—

(A) An emergency, as defined in the Disaster Relief Act of 1974;

(B) A contingency operation (see FAR 2.101(b)); or

(C) The release or threatened release of hazardous substances (as defined in 4 U.S.C. 9006, section 106); and

(ii) The head of the contracting activity determines that the operational area has evolved into a more stable or less stable environment.

(i) If the head of the contracting activity determines that the operational area has evolved into a more stable or less stable environment, the contracting officer shall notify, by issuance of a contract modification, each contractor performing in the operational area under review. The modification deactivates clause 252.232–7011 and activates the applicable FAR Prompt Payment clause in the contract.

(ii) If after deactivation of clause 252.232–7011, the head of the contracting activity subsequently determines that the operational area has evolved into a less stable environment, the head of the contracting activity will make a determination that conditions exist that limit normal business operations. The contracting officer will then reactivate clause 252.232–7011 by issuance of a contract modification.

232.903 Responsibilities.

DoD policy is to assist small business concerns by paying them as quickly as possible after invoices and all proper documentation, including acceptance, are received and before normal payment due dates established in the contract (see 232.906(a)).

[76 FR 23506, Apr. 27, 2011]

232.904 Determining payment due dates.

(d) In most cases, Government acceptance or approval can occur within the 7-day constructive acceptance period specified in the FAR Prompt Payment clauses. Government payment of construction progress payments can, in most cases, be made within the 14-day period allowed by the Prompt Payment for Construction Contracts clause. While the contracting officer may specify a longer period because the period specified in the contract is not reasonable or practical, such change should be coordinated with the Government offices responsible for acceptance or approval and for payment. Reasons for specifying a longer period include but are not limited to: the nature of the work or supplies or services, inspection or testing requirements, shipping and acceptance terms, and resources available at the acceptance activity. A constructive acceptance period of less than the cited 7 or 14 days is not authorized.

[70 FR 75413, Dec. 20, 2005]

232.906 Making payments.

(a)(i) Generally, the contracting officer shall insert the standard due date of 14 days for interim payments on cost-reimbursement contracts for services in the clause at FAR 52.232-25, Prompt Payment, when using the clause with its Alternate I.

(ii) The restrictions of FAR 32.906 prohibiting early payment do not apply to invoice payments made to small business concerns. However, contractors shall not be entitled to interest penalties if the Government fails to make early payment.

[70 FR 75413, Dec. 20, 2005, as amended at 76 FR 23506, Apr. 27, 2011]
Defense Acquisition Regulations System, DOD 232.7004

Subpart 232.70—Electronic Submission and Processing of Payment Requests and Receiving Reports

Source: 68 FR 8455, Feb. 21, 2003, unless otherwise noted.

232.7000 Scope of subpart.

This subpart prescribes policies and procedures for submitting and processing payment requests in electronic form to comply with 10 U.S.C. 2227.

232.7001 Definitions.

Electronic form and payment request, as used in this subpart, are defined in the clause at 252.232–7003, Electronic Submission of Payment Requests.

232.7002 Policy.

(a) Contractors shall submit payment requests and receiving reports in electronic form, except for—

(1) Purchases paid for with a Governmentwide commercial purchase card;

(2) Awards made to foreign vendors for work performed outside the United States;

(3) Classified contracts or purchases when electronic submission and processing of payment requests could compromise the safeguarding of classified information or national security;

(4) Contracts awarded by deployed contracting officers in the course of military operations, including, but not limited to, contingency operations as defined in 10 U.S.C. 101(a)(13) or humanitarian or peacekeeping operations as defined in 10 U.S.C. 2303(8), or contracts awarded by contracting officers in the conduct of emergency operations, such as responses to natural disasters or national or civil emergencies;

(5) Purchases to support unusual or compelling needs of the type described in FAR 6.302–2;

(6) Cases in which DoD is unable to receive payment requests or provide acceptance in electronic form; and

(7) Cases in which the contracting officer administering the contract for payment has determined, in writing, that electronic submission would be unduly burdensome to the contractor.

(b) DoD officials receiving payment requests in electronic form shall process the payment requests in electronic form. Any supporting documentation necessary for payment, such as receiving reports, contracts, contract modifications, and required certifications, also shall be processed in electronic form. Scanned documents are acceptable for processing supporting documentation other than receiving reports and other forms of acceptance.

(c) When payment requests and receiving reports will not be submitted in electronic form—

(1) Payment requests and receiving reports shall be submitted by facsimile or conventional mail. The contracting officer shall consult with the payment office and the contract administration office regarding the method of payment request to be used; and

(2) Section G of the contract shall specify the method of payment request.

[72 FR 14241, Mar. 27, 2007, as amended at 73 FR 11358, Mar. 3, 2008]

232.7003 Procedures.

(a) The accepted electronic form for submission of payment requests and receiving reports is Wide Area WorkFlow (see Web site—https://wawf.eb.mil/).

(b) If the payment office and the contract administration office concur, the contracting officer may authorize a contractor to submit a payment request and receiving report using an electronic form other than Wide Area WorkFlow. However, with this authorization, the contractor and the contracting officer shall agree to a plan, which shall include a timeline, specifying when the contractor will transfer to Wide Area WorkFlow.

(c) For payment of commercial transportation services provided under a Government rate tender or a contract for transportation services, the use of a DoD-approved electronic third party payment system or other exempted vendor payment/invoicing system (e.g., PowerTrack, Transportation Financial Management System, and Cargo and Billing System) is permitted.

[73 FR 11338, Mar. 3, 2008]

232.7004 Contract clause.

Except as provided in 232.7002(a), use the clause at 232.232–7003, Electronic Submission of Payment Requests and
232.7100 Receiving Reports, in solicitations and contracts.

[73 FR 11358, Mar. 3, 2008]

Subpart 232.71—Levies on Contract Payments

Source: 70 FR 52032, Sept. 1, 2005, unless otherwise noted.

232.7100 Scope of subpart.

This subpart prescribes policies and procedures concerning the effect of levies pursuant to 26 U.S.C. 6331(h) on contract payments. The Internal Revenue Service (IRS) is authorized to levy up to 100 percent of all payments made under a DoD contract, up to the amount of the tax debt.

232.7101 Policy and procedures.

(a) The contracting officer shall require the contractor to—

(1) Promptly notify the contracting officer when a levy may result in an inability to perform the contract; and

(2) Advise the contracting officer whether the inability to perform may adversely affect national security.

(b) The contracting officer shall promptly notify the Director, Defense Procurement and Acquisition Policy (DPAP), when the contractor's inability to perform may adversely affect national security.

(c) The Director, DPAP, will promptly notify the IRS, the contractor's rationale and will notify the IRS, the contracting officer, and the payment office, as appropriate, in accordance with the procedures at PGI 232.7101(c).

(d) The contracting officer shall then notify the contractor in accordance with paragraph (c) of the clause at 252.232–7010 and in accordance with the procedures at PGI 232.7101(d).

[71 FR 69492, Dec. 1, 2006]

232.7102 Contract clause.

Use the clause at 252.232–7010, Levies on Contract Payments, in all solicitations and contracts other than those for micro-purchases.

[71 FR 69492, Dec. 1, 2006]

PART 233—PROTESTS, DISPUTES, AND APPEALS

Subpart 233.1—Protests

Sec.

233.170 Briefing requirement for protested acquisitions valued at $1 billion or more.

Follow the procedures at PGI 233.170 for briefing protested acquisitions valued at $1 billion or more.

[76 FR 3537, Jan. 20, 2011]

Subpart 233.2—Disputes and Appeals

233.204–70 Limitations on payment.

See 10 U.S.C. 2410(b) for limitations on Congressionally directed payment of a claim under the Contract Disputes Act of 1978, a request for equitable adjustment to contract terms, or a request for relied under Pub. L. 85–804.

[63 FR 11537, Mar. 9, 1998]

233.210 Contracting officer’s authority.

See PGI 233.210 for guidance on reviewing a contractor's claim.

[72 FR 6485, Feb. 12, 2007]

233.215 Contract clause.

Use Alternate I of the clause at FAR 52.233–1, Disputes, when—

(1) The acquisition is for—

(i) Aircraft

(ii) Spacecraft and launch vehicles
Defense Acquisition Regulations System, DOD

233.215–70

(iii) Naval vessels
(iv) Missile systems
(v) Tracked combat vehicles
(vi) Related electronic systems;

(2) The contracting officer determines that continued performance is—
(i) Vital to the national security, or
(ii) Vital to the public health and welfare; or

(3) The head of the contracting activity determines that continued performance is necessary pending resolution of any claim that might arise under or be related to the contract.


233.215–70 Additional contract clause.

Use the clause at 252.233–7001, Choice of Law (Overseas), in solicitations and contracts when contract performance will be outside the United States and its outlying areas, unless otherwise provided for in a government-to-government agreement.

[70 FR 35545, June 21, 2005]
SUBCHAPTER F—SPECIAL CATEGORIES OF CONTRACTING

PART 234—MAJOR SYSTEM ACQUISITION

Sec.
234.001 Definition.
234.003 Responsibilities.
234.004 Acquisition strategy.
234.005–1 Competition.

Subpart 234.2—Earned Value Management System

234.201 Policy.
234.203 Solicitation provisions and contract clause.

Subpart 234.70—Acquisition of Major Weapon Systems as Commercial Items

234.7000 Scope of subpart.
234.7001 Definition.
234.7002 Policy.

Subpart 234.71—Cost and Software Data Reporting

234.7100 Policy.
234.7101 Solicitation provision and contract clause.


234.001 Definition.

As used in this subpart—
Acceptable earned value management system and earned value management system are defined in the clause at 252.234–7002, Earned Value Management System.
Significant deficiency is defined in the clause at 252.234–7002, Earned Value Management System, and is synonymous with noncompliance.

[76 FR 28867, May 18, 2011]

234.003 Responsibilities.


[70 FR 14575, Mar. 23, 2005]

234.004 Acquisition strategy.

(1) See 209.570 for policy applicable to acquisition strategies that consider the use of lead system integrators.

(2) In accordance with Section 818 of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364), for major defense acquisition programs as defined in 10 U.S.C. 2430—
(i) The Milestone Decision Authority shall select, with the advice of the contracting officer, the contract type for a development program at the time of Milestone B approval or, in the case of a space program, Key Decision Point B approval;
(ii) The basis for the contract type selection shall be documented in the acquisition strategy. The documentation—
(A) Shall include an explanation of the level of program risk; and
(B) If program risk is determined to be high, shall outline the steps taken to reduce program risk and the reasons for proceeding with Milestone B approval despite the high level of program risk; and
(iii) If a cost-type contract is selected, the contract file shall include the Milestone Decision Authority’s written determination that—
(A) The program is so complex and technically challenging that it would not be practicable to reduce program risk to a level that would permit the use of a fixed-price type contract; and
(B) The complexity and technical challenge of the program is not the result of a failure to meet the requirements of 10 U.S.C. 2366a.

[73 FR 4118, Jan. 24, 2008]

234.005–1 Competition.

(1) A contract that is initially awarded from the competitive selection of a proposal resulting from a general solicitation may contain a contract line item or contract option for the provision of advanced component development or prototype of technology developed under the contract or the delivery of initial or additional prototype items if the item or a prototype thereof is created as the result of work performed under the contract only when it adheres to the following limitations:

(i) The contract line item or contract option shall be limited to the minimal
amount of initial or additional prototype items that will allow for timely competitive solicitation and award of a follow-on development or production contract for those items.

(ii) The term of the contract line item or contract option shall be for not more than 12 months.

(iii) The dollar value of the work to be performed pursuant to the contract line item or contract option shall not exceed the lesser of—

(A) The amount that is three times the dollar value of the work previously performed under the contract; or

(B) $20 million.

(2) A contract line item or contract option may not be exercised under this authority after September 30, 2014.

(75 FR 32639, June 8, 2010)

Subpart 234.2—Earned Value Management System

Source: 73 FR 21848, Apr. 23, 2008, unless otherwise noted.

234.201 Policy.

(1) DoD applies the earned value management system requirement as follows:

(i) For cost or incentive contracts and subcontracts valued at $20,000,000 or more, the earned value management system shall comply with the guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA–748).

(ii) For cost or incentive contracts and subcontracts valued at $50,000,000 or more, the contractor shall have an earned value management system that has been determined by the cognizant Federal agency to be in compliance with the guidelines in ANSI/EIA–748.

(iii) For cost or incentive contracts and subcontracts valued at less than $20,000,000—

(A) The application of earned value management is optional and is a risk-based decision;

(B) A decision to apply earned value management shall be documented in the contract file; and

(C) Follow the procedures at PGI 234.201(1)(iii) for conducting a cost-benefit analysis.

(iv) For firm-fixed-price contracts and subcontracts of any dollar value—

(A) The application of earned value management is discouraged; and

(B) Follow the procedures at PGI 234.201(1)(iv) for obtaining a waiver before applying earned value management.

(2) When an offeror proposes a plan for compliance with the earned value management system guidelines in ANSI/EIA–748, follow the review procedures at PGI 234.201(2).

(3) The Defense Contract Management Agency is responsible for determining earned value management system compliance when DoD is the cognizant Federal agency.

(4) See PGI 234.201(4) for additional guidance on earned value management.

(5) The cognizant contracting officer, in consultation with the functional specialist and auditor, shall—

(i) Determine the acceptability of the contractor’s earned value management system and approve or disapprove the system; and

(ii) Pursue correction of any deficiencies.

(6) In evaluating the acceptability of a contractor’s earned value management system, the contracting officer, in consultation with the functional specialist and auditor, shall determine whether the contractor’s earned value management system complies with the system criteria for an acceptable earned value management system as prescribed in the clause at 252.234–7002, Earned Value Management System.

(7) Disposition of findings—(i) Reporting of findings. The functional specialist or auditor shall document findings and recommendations in a report to the contracting officer. If the functional specialist or auditor identifies any significant deficiencies in the contractor’s earned value management system, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.

(ii) Initial determination. (A) The contracting officer shall review all findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor’s earned
value management system is acceptable and approved; or

(B) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.234–7002, Earned Value Management System) due to the contractor's failure to meet one or more of the earned value management system criteria in the clause at 252.234–7002, the contracting officer shall—

(i) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiencies;

(ii) Request the contractor to respond, in writing, to the initial determination within 30 days; and

(iii) Evaluate the contractor's response to the initial determination, in consultation with the auditor or functional specialist, and make a final determination.

(iii) Final determination. (A) The contracting officer shall make a final determination and notify the contractor, in writing, that—

(1) The contractor's earned value management system is acceptable and approved, and no significant deficiencies remain, or

(2) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(i) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(ii) Disapprove the system in accordance with the clause at 252.234–7002, Earned Value Management System, when initial validation is not successfully completed within the timeframe approved by the contracting officer, or the contracting officer determines that the existing earned value management system contains one or more significant deficiencies in high-risk guidelines in ANSI/EIA–748 standards (guidelines 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28, 30, or 32). When the contracting officer determines that the existing earned value management system contains one or more significant deficiencies in one or more of the remaining 16 guidelines in ANSI/EIA–748 standards, the contracting officer shall use discretion to disapprove the system based on input received from functional specialists and the auditor; and

(iii) Withhold payments in accordance with the clause at 252.242–7005, Contractor Business Systems, if the system is included in the contract.

(B) Follow the procedures relating to monitoring a contractor's corrective action and the correction of significant deficiencies at PGI 234.201(7).

(8) System approval. The contracting officer shall promptly approve a previously disapproved earned value management system and notify the contractor when the contracting officer determines that there are no remaining significant deficiencies.

(9) Contracting officer notifications. The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

[73 FR 21848, Apr. 23, 2008, as amended at 76 FR 28867, May 18, 2011]

234.203 Solicitation provisions and contract clause.

For cost or incentive contracts valued at $20,000,000 or more, and for other contracts for which EVMS will be applied in accordance with 234.201(1)(iii) and (iv)—

(1) Use the provision at 252.234–7001, Notice of Earned Value Management System, instead of the provisions at FAR 52.234–2, Notice of Earned Value Management System—Pre-Award IBR, and FAR 52.234–3, Notice of Earned Value Management System—Post-Award IBR, in the solicitation; and

(2) Use the clause at 252.234–7002, Earned Value Management System, instead of the clause at FAR 52.234–4.
Defense Acquisition Regulations System, DOD 234.7002

Earned Value Management System, in the solicitation and contract.

Subpart 234.70—Acquisition of Major Weapon Systems as Commercial Items

SOURCE: 71 FR 58538, Oct. 4, 2006, unless otherwise noted.

234.7000 Scope of subpart.

This subpart—
(a) Implements 10 U.S.C. 2379; and
(b) Requires a determination by the Secretary of Defense and a notification to Congress before acquiring a major weapon system as a commercial item.

234.7001 Definition.

Major weapon system, as used in this subpart, means a weapon system acquired pursuant to a major defense acquisition program, as defined in 10 U.S.C. 2430 to be a program that—
(1) Is not a highly sensitive classified program, as determined by the Secretary of Defense; and
(2)(i) Is designated by the Secretary of Defense as a major defense acquisition program; or
(ii) Is estimated by the Secretary of Defense to require an eventual total expenditure for research, development, test, and evaluation of more than $300,000,000 (based on fiscal year 1990 constant dollars) or an eventual total expenditures for procurement of more than $1,800,000,000 (based on fiscal year 1990 constant dollars).

234.7002 Policy.

(a) Major weapon system. (1) A DoD major weapon system may be treated as a commercial item, or acquired under procedures established for the acquisition of commercial items, only if—
(i) The Secretary of Defense determines that—
(A) The major weapon system is a commercial item as defined in FAR 2.101; and
(B) Such treatment is necessary to meet national security objectives;
(ii) The offeror has submitted sufficient information to evaluate, through price analysis, the reasonableness of the price for such a system; and
(iii) The congressional defense committees are notified at least 30 days before such treatment or acquisition occurs. Follow the procedures at PGI 234.7002.
(2) The authority of the Secretary of Defense to make a determination under paragraph (a)(1) of this section may not be delegated below the level of the Deputy Secretary of Defense.

(b) Subsystems. A subsystem of a major weapon system (other than a commercially available off-the-shelf item) may be treated as a commercial item and acquired under procedures established for the acquisition of commercial items only if—
(1) The subsystem is intended for a major weapon system that is being acquired, or has been acquired, under procedures established for the acquisition of commercial items in accordance with paragraph (a) of this section; or
(2) The contracting officer determines in writing that—
(i) The subsystem is a commercial item; and
(ii) The offeror has submitted sufficient information to evaluate, through price analysis, the reasonableness of the price for the subsystem.

(c) Components and spare parts. (1) A component or spare part for a major weapon system (other than a commercially available off-the-shelf item) may be treated as a commercial item only if—
(i) The component or spare part is intended for—
(A) A major weapon system that is being acquired, or has been acquired, under procedures established for the acquisition of commercial items in accordance with paragraph (a) of this section; or
(B) A subsystem of a major weapon system that is being acquired, or has been acquired, under procedures established for the acquisition of commercial items in accordance with paragraph (b) of this section; or
(ii) The contracting officer determines in writing that—
(A) The component or spare part is a commercial item; and
(B) The offeror has submitted sufficient information to evaluate, through price analysis, the reasonableness of the price for the subsystem.
the price for the component or spare part.

(2) This paragraph (c) shall apply only to components and spare parts that are acquired by DoD through a prime contract or a modification to a prime contract, or through a subcontract under a prime contract or modification to a prime contract on which the prime contractor adds no, or negligible, value.

(d) Relevant information. To the extent necessary to make a determination under paragraph (a)(1)(ii), (b)(2), or (c)(1)(ii) of this section, the contracting officer may request the offeror to submit—

(1) Prices paid for the same or similar commercial items under comparable terms and conditions by both Government and commercial customers; and

(2) Other relevant information regarding the basis for price or cost, including information on labor costs, material costs, and overhead rates, if the contracting officer determines that the information described in paragraph (d)(1) of this section is not sufficient to determine price reasonableness.

[74 FR 34264, July 15, 2009]

Subpart 234.71—Cost and Software Data Reporting

SOURCE: 75 FR 71561, Nov. 24, 2010, unless otherwise noted.

234.7100 Policy.

(a) The cost and software data reporting (CSDR) requirement is mandatory for major defense acquisition programs (as defined in 10 U.S.C. 2430), and major automated information system programs (as defined in 10 U.S.C. 2445a) as specified in DoDI 5000.02, Operation of the Defense Acquisition System and the DoD 5000.04–M–1, CSDR Manual. The CSDR system is applied in accordance with the reporting requirements established in DoDI 5000.02. The two principal components of the CSDR system are contractor cost data reporting and software resources data reporting.

(b) Prior to contract award, contracting officers shall consult with the Defense Cost and Resource Center to determine that the offeror selected for award has proposed a standard CSDR system, as described in the offeror’s proposal in response to the provision at 252.234–7003, that is in compliance with DoDI 5000.02, Operation of the Defense Acquisition System, and the DoD 5000.04–M–1, CSDR Manual.

(c) Contact information for the Defense Cost and Resource Center and the Deputy Director, Cost Assessment, is located at PGI 234.7100.

234.7101 Solicitation provision and contract clause.

(a)(1) Use the provision at 252.234–7003, Notice of Cost and Software Data Reporting System, in all solicitations that include the clause at 252.234–7004, Cost and Software Data Reporting.

(2) Use the provision with its Alternate I when the clause at 252.234–7004, Cost and Software Data Reporting, is used with its Alternate I.

(b)(1) Use the clause at 252.234–7004, Cost and Software Data Reporting System, in all solicitations and contracts for major defense acquisition programs and major automated information system programs that exceed $50 million.

(2) Use the clause with its Alternate I in solicitations and contracts for major defense acquisition programs and major automated information system programs with a value equal to or greater than $20 million but less than or equal to $50 million, when so directed by the program manager with the approval of the OSD Deputy Director, Cost Assessment.

PART 235—RESEARCH AND DEVELOPMENT CONTRACTING

Sec.
235.001 Definitions.
235.006 Contracting methods and contract type.
235.006–70 Manufacturing Technology Program.
235.006–71 Competition.
235.008 Evaluation for award.
235.010 Scientific and technical reports.
235.015–70 Special use allowances for research facilities acquired by educational institutions.
235.016 Broad agency announcement.
235.017 Federally Funded Research and Development Centers.
235.017–1 Sponsoring agreements.
235.070 Indemnification against unusually hazardous risks.

266
235.006 Contracting methods and contract type.

(b)(i) For major defense acquisition programs as defined in 10 U.S.C. 2430—
(A) Follow the procedures at 234.004; and
(B) Notify the Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)) of an intent not to exercise a fixed-price production option on a development contract for a major weapon system reasonably in advance of the expiration of the option exercise period.

(ii) For other than major defense acquisition programs—
(A) Do not award a fixed-price type contract for a development program effort unless—
(1) The level of program risk permits realistic pricing;
(2) The use of a fixed-price type contract permits an equitable and sensible allocation of program risk between the Government and the contractor; and
(iii) A written determination that the criteria of paragraphs (b)(i)(A)(1) and (2) of this section have been met is executed—
(1) By the USD(AT&L) if the contract is over $25 million and is for: research and development for a non-major system; the development of a major system (as defined in FAR 2.101); or the development of a subsystem of a major system; or
(ii) By the contracting officer for any development not covered by paragraph (b)(i)(A)(3)(i) of this section.
(B) Obtain USD(AT&L) approval of the Government’s prenegotiation position before negotiations begin, and obtain USD(AT&L) approval of the negotiated agreement with the contractor before the agreement is executed, for any action that is—
(1) An increase of more than $250 million in the price or ceiling price of a fixed-price type development contract, or a fixed-price type contract for the lead ship of a class;
(2) A reduction in the amount of work under a fixed-price type development contract or a fixed-price type contract for the lead ship of a class, when the value of the work deleted is $100 million or more; or
(3) A repricing of fixed-price type production options to a development contract, or a contract for the lead ship of a class, that increases the price or ceiling price by more than $250 million for equivalent quantities.

235.006–70 Manufacturing Technology Program.

In accordance with 10 U.S.C. 2521(d), for acquisitions under the Manufacturing Technology Program—

(a) Award all contracts using competitive procedures; and
(b) Include in all solicitations an evaluation factor that addresses the extent to which offerors propose to share in the cost of the project (see FAR 15.304).

235.006–71 Competition.

See 234.005–1 for limitations on the use of contract line items or contract options for the provision of advanced component development or prototypes of technology developed under a competitively awarded proposal.
235.008 Evaluation for award.

See 209.570 for limitations on the award of contracts to contractors acting as lead system integrators.

[73 FR 1825, Jan. 10, 2008]

235.010 Scientific and technical reports.

(b) For DoD, the Defense Technical Information Center is responsible for collecting all scientific and technical reports. For access to these reports, follow the procedures at PGI 235.010(b).

[69 FR 65092, Nov. 10, 2004]

235.015-70 Special use allowances for research facilities acquired by educational institutions.

(a) Definitions. As used in this subsection—

(1) Research facility means—

(i) Real property, other than land; and

(ii) Includes structures, alterations, and improvements, acquired for the purpose of conducting scientific research under contracts with departments and agencies of the DoD.

(2) Special use allowance means a negotiated direct or indirect allowance—

(i) For construction or acquisition of buildings, structures, and real property, other than land; and

(ii) Where the allowance is computed at an annual rate exceeding the rate which normally would be allowed under FAR subpart 31.3.

(b) Policy. (1) Educational institutions are to furnish the facilities necessary to perform Defense contracts. FAR 31.3 governs how much the Government will reimburse the institution for the research programs. However, in extraordinary situations, the Government may give special use allowances to an educational institution when the institution is unable to provide the capital for new laboratories or expanded facilities needed for Defense contracts.

(2) Decisions to provide a special use allowance must be made on a case-by-case basis, using the criteria in paragraph (c) of this subsection.

(c) Authorization for special use allowance. The head of a contracting activity may approve special use allowances only when all of the following conditions are met—

(1) The research facility is essential to the performance of DoD contracts;

(2) Existing facilities, either Government or nongovernment, cannot meet program requirements practically or effectively;

(3) The proposed agreement for special use allowances is a sound business arrangement;

(4) The Government’s furnishing of Government-owned facilities is undesirable or impractical; and

(5) The proposed use of the research facility is to conduct essential Government research which requires the new or expanded facilities.

(d) Application of the special use allowance. (1) In negotiating a special use allowance—

(i) Compare the needs of DoD and of the institution for the research facility to determine the amount of the special use allowance;

(ii) Consider rental costs for similar space in the area where the research facility is or will be located to establish the annual special use allowance;

(iii) Do not include or allow—

(A) The costs of land; or

(B) Interest charges on capital;

(iv) Do not include maintenance, utilities, or other operational costs;

(v) The period of allowance generally will be—

(A) At least ten years; or

(B) A shorter period if the total amount to be allowed is less than the construction or acquisition cost for the research facility;

(vi) Generally, provide for allocation of the special use allowance equitably among the Government contracts using the research facility;

(vii) Special use allowances apply only in the years in which the Government has contracts in effect with the institution. However, if in any given year there is a reduced level of Government research effort which results in the special use allowance being excessive compared to the Government research funding, a separate special use allowance may be negotiated for that year;
(viii) Special use allowances may be adjusted for the period before construction is complete if the facility is partially occupied and used for Government research during that period.

(2) A special use allowance may be based on either total or partial cost of construction or acquisition of the research facility.

(i) When based on total cost neither the normal use allowance nor depreciation will apply—
   (A) During the special use allowance period; and
   (B) After the educational institution has recovered the total construction or acquisition cost from the Government or other users.

(ii) When based on partial cost, normal use allowance and depreciation—
   (A) Apply to the balance of costs during the special use allowance period to the extent negotiated in the special use allowance agreement; and
   (B) Do not apply after the special use allowance period, except for normal use allowance applied to the balance.

(3) During the special use allowance period, the research facility—
   (i) Shall be available for Government research use on a priority basis over nongovernment use; and
   (ii) Cannot be put to any significant use other than that which justified the special use allowance, unless the head of the contracting activity, who approved the special use allowance, consents.

(4) The Government will pay only an allocable share of the special use allowance when the institution makes any substantial use of the research facility for parties other than the Government during the period when the special use allowance is in effect.

(5) In no event shall the institution be paid more than the acquisition costs.


235.017 Federally Funded Research and Development Centers.

(a) Policy. (2) No DoD fiscal year 1992 or later funds may be obligated or expended to finance activities of a DoD Federally Funded Research and Development Center (FFRDC) if a member of its board of directors or trustees simultaneously serves on the board of directors or trustees of a profit-making company under contract to DoD, unless the FFRDC has a DoD-approved conflict of interest policy for its members (section 8107 of Pub. L. 102–172 and similar sections in subsequent Defense appropriations acts).

[56 FR 28471, May 13, 1993]

235.017–1 Sponsoring agreements.

(c)(4) DoD-sponsoring FFRDCs that function primarily as research laboratories (CSI Laboratory operated by the Institute for Defense Analysis, Lincoln Laboratory operated by Massachusetts Institute of Technology, and Software Engineering Institute operated by Carnegie Mellon) may respond to solicitations and announcements for programs which promote research, development, demonstration, or transfer of technology (Section 217, Public Law 103–337).


235.070 Indemnification against unusually hazardous risks.

235.070–1 Indemnification under research and development contracts.

(a) Under 10 U.S.C. 2354, and if authorized by the Secretary concerned, contracts for research and/or development may provide for indemnification of the contractor or subcontractors for—
235.070–2 Indemnification under contracts involving both research and development and other work.

These contracts may provide for indemnification under the authority of both 10 U.S.C. 2354 and Public Law 85–804. Public Law 85–804 will apply only to work to which 10 U.S.C. 2354 does not apply. Actions under Public Law 85–804 must also comply with FAR subpart 50.4.

235.070–3 Contract clauses.

When the contractor is to be indemnified in accordance with 235.070–1, use either—

(a) The clause at 252.235–7000, Indemnification Under 10 U.S.C. 2354—Fixed Price; or

(b) The clause at 252.235–7001, Indemnification Under 10 U.S.C. 2354—Cost-Reimbursement, as appropriate.

235.071 Export-controlled items.

For requirements regarding access to export-controlled items, see Subpart 204.73.

[73 FR 42278, July 21, 2008]

235.072 Additional contract clauses.

(a) Use the clause at 252.235–7002, Animal Welfare, or one substantially the same, in solicitations and contracts awarded in the United States or its outlying areas involving research on live vertebrate animals.

(b) Use the clause at 252.235–7003, Frequency Authorization, in solicitations and contracts for developing, producing, constructing, testing, or operating a device requiring a frequency authorization.

(c) Use the clause at 252.235–7010, Acknowledgement of Support and Disclaimer, in solicitations and contracts for research and development.

(d) Use the clause at 252.235–7011, Final Scientific or Technical Report, in solicitations and contracts for research and development.

(e) Use the clause at 252.235–7004, Protection of Human Subjects, in solicitations and contracts that include or may include research involving human subjects in accordance with 32 CFR Part 219, DoD Directive 3216.02, and 10 U.S.C. 980, including research that meets exemption criteria under 32 CFR 219.101(b). The clause—

(1) Applies to solicitations and contracts awarded by any DoD component, regardless of mission or funding Program Element Code; and

(2) Does not apply to use of cadaver materials alone, which are not directly regulated by 32 CFR Part 219 or DoD Directive 3216.02, and which are governed by other DoD policies and applicable State and local laws.


PART 236—CONSTRUCTION AND ARCHITECT-ENGINEER CONTRACTS

Subpart 236.1—General

Sec. 236.102 Definitions.

Subpart 236.2—Special Aspects of Contracting for Construction

236.203 Government estimate of construction costs.

236.204 Disclosure of the magnitude of construction projects.

236.206 Liquidated damages.

236.213 Special procedures for sealed bidding in construction contracting.

236.270 Expediting construction contracts.

236.271 Cost-plus-fixed-fee contracts.

236.272 Prequalification of sources.

236.273 Construction in foreign countries.
236.274  Restriction on acquisition of steel for use in military construction projects.
236.275  Construction of industrial resources.

Subpart 236.5—Contract Clauses

236.570  Additional provisions and clauses.

Subpart 236.6—Architect-Engineer Services

236.601  Policy.
236.602  Selection of firms for architect-engineer contracts.
236.602–1  Selection criteria.
236.602–70  Restriction on award of overseas architect-engineer contracts to foreign firms.
236.604  Performance evaluation.
236.606  Negotiations.
236.606–70  Statutory fee limitation.
236.609  Contract clauses.
236.609–70  Additional provisions and clause.

Subpart 236.7—Standard and Optional Forms for Contracting for Construction, Architect-Engineer Services, and Demolition, Demolition, or Removal of Improvements

236.701  Standard and optional forms for use in contracting for construction or demolition, demolition, or removal of improvements.


Source: 56 FR 36421, July 31, 1991, unless otherwise noted.

Subpart 236.1—General

236.102  Definitions.

Construction activity means an activity at any organizational level of the DoD that—

(1) Is responsible for the architectural, engineering, and other related technical aspects of the planning, design, and construction of facilities; and

(2) Receives its technical guidance from the Army Office of the Chief of Engineers, Naval Facilities Engineering Command, or Air Force Directorate of Civil Engineering.

Marshallese firm is defined in the provision at 252.236–7012, Military Construction on Kwajalein Atoll—Evaluation Preference.

United States firm is defined in the provisions at 252.236–7010, Overseas Architect-Engineer Services—Restriction to United States firms.


Subpart 236.2—Special Aspects of Contracting for Construction

236.203  Government estimate of construction costs.

Follow the procedures at PGI 236.203 for handling the Government estimate of construction costs.

[71 FR 9273, Feb. 23, 2006]

236.204  Disclosure of the magnitude of construction projects.

Additional price ranges are—

(i) Between $10,000,000 and $25,000,000;

(ii) Between $25,000,000 and $100,000,000;

(iii) Between $100,000,000 and $250,000,000;

(iv) Between $250,000,000 and $500,000,000; and

(v) Over $500,000,000.

[61 FR 7749, Feb. 29, 1996]

236.206  Liquidated damages.

See 211.503 for instructions on use of liquidated damages.


236.213  Special procedures for sealed bidding in construction contracting.

If it appears that sufficient funds may not be available for all the desired construction features, consider using a bid schedule with additive or deductive items in accordance with PGI 236.213.

[71 FR 9273, Feb. 23, 2006]

236.270  Expediting construction contracts.

(a) 10 U.S.C. 2858 requires agency head approval to expedite the completion date of a contract funded by a Military Construction Appropriations Act, if additional costs are involved. This approval authority may not be re-delegated. The approval authority must—
236.271 Cost-plus-fixed-fee contracts.

Annual military construction appropriations acts restrict the use of cost-plus-fixed-fee contracts (see 216.306(c)).

236.272 Prequalification of sources.

(a) Prequalification procedures may be used when necessary to ensure timely and efficient performance of critical construction projects. Prequalification—

(1) Results in a list of sources determined to be qualified to perform a specific construction contract; and

(2) Limits offerors to those with proven competence to perform in the required manner.

(b) The head of the contracting activity must—

(1) Authorize the use of prequalification by determining, in writing, that a construction project is of an urgency or complexity that requires prequalification; and

(2) Approve the prequalification procedures.

(c) For small businesses, the prequalification procedures must require the qualifying authority to—

(1) Request a preliminary recommendation from the appropriate Small Business Administration regional office, if the qualifying authority believes a small business is not responsible;

(2) Permit the small business to submit a bid or proposal if the preliminary recommendation is that the small business is responsible; and

(3) Follow the procedures in FAR 19.6, if the small business is in line for award and is found nonresponsible.

236.273 Construction in foreign countries.

(a) In accordance with Section 112 of Pub. L. 105–45 and similar sections in subsequent military construction appropriations acts, military construction contracts funded with military construction appropriations, that are estimated to exceed $1,000,000 and are to be performed in the United States outlying area in the Pacific and on Kwajalein Atoll, or in countries bordering the Arabian Gulf, shall be awarded only to United States firms, unless—

(1) The lowest responsive and responsible offer of a United States firm exceeds the lowest responsive and responsible offer of a foreign firm by more than 20 percent; or

(2) The contract is for military construction on Kwajalein Atoll and the lowest responsive and responsible offer is submitted by a Marshallese firm.

(b) See PGI 236.273(b) for guidance on technical working agreements with foreign governments.

236.274 Restriction on acquisition of steel for use in military construction projects.

In accordance with section 108 of the Military Construction and Veterans Affairs Appropriations Act, 2009 (Pub. L. 110–329, Division E), do not acquire, or allow a contractor to acquire, steel for any construction project or activity for which American steel producers, fabricators, or manufacturers have been denied the opportunity to compete for such acquisition of steel.

236.275 Construction of industrial resources.

See Subpart 237.75 for policy relating to facilities projects.

236.570 Additional provisions and clauses.

(a) Use the following clauses in all fixed-price construction solicitations and contracts—

(1) 252.236-7000, Modification Proposals-Price Breakdown; and
Defense Acquisition Regulations System, DOD  § 236.601

(2) 252.236-7001, Contract Drawings and Specifications.

(b) Use the following provisions and clauses in fixed-price construction contracts and solicitations as applicable—

(1) 252.236-7002, Obstruction of Navigable Waterways, when the contract will involve work near or on navigable waterways.

(2) When the head of the contracting activity has approved use of a separate bid item for mobilization and preparatory work, use either—

(i) 252.236-7003, Payment for Mobilization and Preparatory Work. Use this clause for major construction contracts that require—

(A) Major or special items of plant and equipment; or
(B) Large stockpiles of material which are in excess of the type, kind, and quantity which would be normal for a contractor qualified to undertake the work; or

(ii) 252.236-7004, Payment for Mobilization and Demobilization. Use this clause for contracts involving major mobilization expense, or plant equipment and material (other than the situations covered in paragraph (b)(2)(i) of this section) made necessary by the location or nature of the work.

(A) Generally, allocate 60 percent of the lump sum price in paragraph (a) of the clause to the cost of mobilization.

(B) Vary this percentage to reflect the circumstances of the particular contract, but in no event should mobilization exceed 80 percent of the payment item.

(3) 252.236-7005, Airfield Safety Precautions, when construction will be performed on or near airfields.

(4) 252.236-7006, Cost Limitation, if the solicitation’s bid schedule contains one or more items subject to statutory cost limitations, and if a waiver has not been granted (FAR 36.205).

(5) 252.236-7007, Additive or Deductive Items, if the procedures in 236.213 are being used.

(6) 252.236-7008, Contract Prices—Bidding Schedule, if the contract will contain only unit prices for some items.

(c) Use the following provisions in solicitations for military construction contracts that are funded with military construction appropriations and are estimated to exceed $1,000,000:

(1) 252.236-7010, Overseas Military Construction—Preference for United States Firms, when contract performance will be in a United States outlying area in the Pacific or in a country bordering the Arabian Gulf.

(2) 252.236-7012, Military Construction on Kwajalein Atoll—Evaluation Preference, when contract performance will be on Kwajalein Atoll.

(d) Use the clause at 252.236-7013, Requirement for Competition Opportunity for American Steel Producers, Fabricators, and Manufacturers, in solicitations and contracts that—

(1) Use funds appropriated by Title I of the Military Construction and Veterans Affairs Appropriations Act, 2009 (Pub. L. 110–329, Division E); and

(2) May require the acquisition of steel as a construction material.

(e) Also see 246.710(4) for an additional clause applicable to construction contracts to be performed in Germany.


Subpart 236.6—Architect-Engineer Services

§ 236.601 Policy

(1) Written notification to the congressional defense committees is required if the total estimated contract price for architect-engineer services or construction design, in connection with military construction, military family housing, or restoration or replacement of damaged or destroyed facilities, exceeds $1,000,000. In accordance with 10 U.S.C. 480, unclassified notifications must be provided by electronic medium.

(1) For military construction or military family housing (10 U.S.C. 2807(b)), the notification—

(A) Must include the scope of the project and the estimated contract price; and

(B)(i) If provided by electronic medium, must be provided at least 14 days before the initial obligation of funds; or
236.602 Selection of firms for architect-engineer contracts.

236.602–1 Selection criteria.

(a) Establish the evaluation criteria before making the public announcement required by FAR 5.205(d) and include the criteria and their relative order of importance in the announcement. Follow the procedures at PGI 236.602–1(a).

236.606 Negotiations.

236.606–70 Statutory fee limitation.

(a) 10 U.S.C. 4540, 7212, and 9540 limit the contract price (or fee) for architect-engineer services for the preparation of designs, plans, drawings, and specifications to six percent of the project’s estimated construction cost.

(b) The six percent limit also applies to contract modifications, including modifications involving—

(1) Work not initially included in the contract. Apply the six percent limit to the revised total estimated construction cost.

(2) Redesign. Apply the six percent limit as follows—

(i) Add the estimated construction cost of the redesign features to the original estimated construction cost;

(ii) Add the contract cost for the original design to the contract cost for redesign; and

(iii) Divide the total contract design cost by the total estimated construction cost. The resulting percentage may not exceed the six percent statutory limitation.

(c) The six percent limit applies only to that portion of the contract (or modification) price attributable to the preparation of designs, plans, drawings, and specifications. If a contract or modification also includes other services, the part of the price attributable to the other services is not subject to the six percent limit.

236.604 Performance evaluation.

Prepare a separate performance evaluation after actual construction of the project. Ordinarily, the evaluating official should be the person most familiar with the architect-engineer contractor’s performance.

236.602 Selection of firms for architect-engineer contracts.

(ii) For restoration or replacement of damaged or destroyed facilities (10 U.S.C. 2854(b)), the notification—

(A) Must include the justification for the project, the estimated contract price, and the source of the funds for the project; and

(B)(i) If provided by electronic medium, must be provided at least 7 days before the initial obligation of funds; or

(ii) If provided by other than electronic medium, must be received by the congressional defense committees at least 21 days before the initial obligation of funds.

(2) During the applicable notice period, synopsis of the proposed contract action and administrative actions leading to the award may be started.

236.602 Restriction on award of overseas architect-engineer contracts to foreign firms.

In accordance with Section 111 of Public Law 104–32 and similar sections in subsequent military construction appropriations acts, architect-engineer contracts funded by military construction appropriations that are estimated to exceed $500,000 and are to be performed in Japan, in any North Atlantic Treaty Organization member country, or in countries bordering the Arabian Gulf, shall be awarded only to United States firms or to joint ventures of United States and host nation firms.

236.609 Contract clauses.

236.609-70 Additional provision and clause.

(a)(1) Use the clause at 252.236-7009, Option for Supervision and Inspection Services, in solicitations and contracts for architect-engineer services when—
(i) The contract will be fixed price; and
(ii) Supervision and inspection services by the architect-engineer may be required during construction.

(2) Include the scope of such services in appendix A of the contract.

(b) Use the provision at 252.236-7011, Overseas Architect-Engineer Services—Restriction to United States Firms, in solicitations for architect-engineer contracts that are—
(1) Funded with military construction appropriations;
(2) Estimated to exceed $500,000; and
(3) To be performed in Japan, in any North Atlantic Treaty Organization member country, or in countries bordering the Arabian Gulf.


Subpart 236.7—Standard and Optional Forms for Contracting for Construction, Architect-Engineer Services, and Dismantling, Demolition, or Removal of Improvements

236.701 Standard and optional forms for use in contracting for construction or dismantling, demolition, or removal of improvements.

(c) Do not use Optional Form 347, Order for Supplies or Services (see 213.307).


PART 237—SERVICE CONTRACTING

Subpart 237.1—Service Contracts—General

Sec.
237.101 Definitions.
237.102 Policy.
237.102-70 Prohibition on contracting for firefighting or security-guard functions.
237.102-71 Limitation on service contracts for military flight simulators.
237.102-72 Contracts for management services.
237.102-73 Prohibition on contracts for services of senior mentors.
237.102-74 Taxonomy for the acquisition of services.
237.104 Personal services contracts.
237.106 Funding and term of service contracts.
237.109 Services of quasi-military armed forces.
237.170 Approval of contracts and task orders for services.
237.170-1 Scope.
237.170-2 Approval requirements.
237.171 Training for contractor personnel interacting with detainees.
237.171-1 Scope.
237.171-2 Definition.
237.171-3 Policy.
237.171-4 Contract clause.
237.172 Service Contracts Surveillance.
237.173 Prohibition on interrogation of detainees by contractor personnel.
237.173-1 Scope.
237.173-2 Definitions.
237.173-3 Policy.
237.173-4 Waiver.
237.173-5 Contract clause.

Subpart 237.2—Advisory and Assistance Services

237.270 Acquisition of audit services.

Subpart 237.5—Management Oversight of Service Contracts

237.503 Agency-head responsibilities.

Subpart 237.70—Mortuary Services

237.7000 Scope.
237.7001 Method of acquisition.
237.7002 Area of performance and distribution of contracts.
237.7003 Solicitation provisions and contract clauses.

Subpart 237.71—Laundry and Dry Cleaning Services

237.7100 Scope.
237.7101 Solicitation provisions and contract clauses.

Subpart 237.72—Educational Service Agreements

237.7200 Scope.
237.7201 Educational service agreement.
237.7202 Limitations.
237.7203 Duration.
237.7204 Format and clauses for educational service agreements.
Subpart 237.73—Services of Students at Research and Development Laboratories

237.7300 Scope.
237.7301 Definitions.
237.7302 General.
237.7303 Contract clauses.

Subpart 237.74—Services at Installations Being Closed

237.7400 Scope.
237.7401 Policy.
237.7402 Contract clause.

Subpart 237.75—Acquisition and Management of Industrial Resources

237.7501 Definition.
237.7502 Policy.

Subpart 237.76—Continuation of Essential Contractor Services

237.7600 Scope.
237.7601 Definitions.
237.7602 Policy.
237.7603 Solicitation provision and contract clause.

SOURCE: 56 FR 36424, July 31, 1991, unless otherwise noted.

Subpart 237.1—Service Contracts—General

237.101 Definitions.

Increased performance of security-guard functions, as used in this subpart, means—

(1) In the case of an installation or facility where no security-guard functions were performed as of September 10, 2001, the entire scope or extent of the performance of security-guard functions at the installation or facility after such date; and

(2) In the case of an installation or facility where security-guard functions were performed within a lesser scope of requirements or to a lesser extent as of September 10, 2001, than after such date, the increment of the performance of security-guard functions at the installation or facility that exceeds such lesser scope of requirements or extent of performance.

[68 FR 7443, Feb. 14, 2003]

237.102 Policy.

(c) In addition to the prohibition on award of contracts for the performance of inherently governmental functions, contracting officers shall not award contracts for functions that are exempt from private sector performance. See 207.503(e) for the associated documentation requirement.

(e) Program officials shall obtain assistance from contracting officials through the Peer Review process at 201.170.


237.102–70 Prohibition on contracting for firefighting or security-guard functions.

(a) Under 10 U.S.C. 2465, the DoD is prohibited for entering into contracts for the performance of firefighting or security-guard functions at any military installation or facility unless—

(1) The contract is to be carried out at a location outside the United States and its outlying areas at which members of the armed forces would have to be used for the performance of firefighting or security-guard functions at the expense of unit readiness;

(2) The contract will be carried out on a Government-owned but privately operated installation;

(3) The contract (or renewal of a contract) is for the performance of a function under contract on September 24, 1983; or

(4) The contract—

(i) Is for the performance of firefighting functions;

(ii) Is for a period of 1 year or less; and

(iii) Covers only the performance of firefighting functions that, in the absence of the contract, would have to be performed by members of the armed forces who are not readily available to perform such functions by reason of a deployment.

(b) Under Section 2907 of Public Law 103–160, this prohibition does not apply to services at installations being closed (see subpart 237.74).

(c) Under Section 1010 of Public Law 107–56, this prohibition does not apply to any contract that—

(1) Is entered into during the period of time that United States armed
forces are engaged in Operation Enduring Freedom or during the period 180 days thereafter;
(2) Is for the performance of security functions at any military installation or facility in the United States;
(3) Is awarded to a proximately located local or State government, or a combination of such governments, whether or not any such government is obligated to provide such services to the general public without compensation; and
(4) Prescribes standards for the training and other qualifications of local government law enforcement personnel who perform security functions under the contract in accordance with criteria established by the Secretary of the department concerned.
(d)(1) Under Section 332 of Public Law 107–314, as amended by Section 333 of Public Law 109–364 and Section 343 of Public Law 110–181, this prohibition does not apply to any contract that is entered into for any increased performance of security-guard functions at a military installation or facility undertaken in response to the terrorist attacks on the United States on September 11, 2001, if—
(i) Without the contract, members of the Armed Forces are or would be used to perform the increased security-guard functions;
(ii) The agency has determined that—
(A) Recruiting and training standards for the personnel who are to perform the security-guard functions are comparable to the recruiting and training standards for DoD personnel who perform the same security-guard functions;
(B) Contractor personnel performing such functions will be effectively supervised, reviewed, and evaluated; and
(C) Performance of such functions will not result in a reduction in the security of the installation or facility;
(iii) Contract performance will not extend beyond September 30, 2012; and
(iv) The total number of personnel employed to perform security-guard functions under all contracts entered into pursuant to this authority does not exceed the following limitations:
(A) For fiscal year 2007, the total number of such personnel employed under such contracts on October 1, 2006.
(B) For fiscal year 2008, the number equal to 90 percent of the total number of such personnel employed under such contracts on October 1, 2006.
(C) For fiscal year 2009, the number equal to 80 percent of the total number of such personnel employed under such contracts on October 1, 2006.
(D) For fiscal year 2010, the number equal to 70 percent of the total number of such personnel employed under such contracts on October 1, 2006.
(E) For fiscal year 2011, the number equal to 60 percent of the total number of such personnel employed under such contracts on October 1, 2006.
(F) For fiscal year 2012, the number equal to 50 percent of the total number of such personnel employed under such contracts on October 1, 2006.
(ii) An examination of at least two alternatives for fulfilling the requirements that the contract is meant to fulfill, including the following with respect to each alternative:
(A) A rationale for including the alternative.
(B) A cost estimate of the alternative and an analysis of the quality of each cost estimate.
(C) A discussion of the benefits to be realized from the alternative.
(D) A best value determination of each alternative and a detailed explanation of the life-cycle cost calculations used in the determination.

(c) When reviewing requirements or participating in acquisition planning that would result in a military department or defense agency acquiring a military flight simulator, the contracting officer shall notify the program officials of the prohibition in paragraph (b) of this subsection. If the program officials decide to request a waiver from the Secretary of Defense under paragraph (b) of this subsection, the contracting officer shall follow the procedures at PGI 237.102–71.

237.102–73 Prohibition on contracts for services of senior mentors.
DoD is prohibited from entering into contracts for the services of senior mentors. See PGI 237.102–73 for references to DoD policy and implementation guidance.

237.102–74 Taxonomy for the acquisition of services.

237.104 Personal services contracts.
(b)(i) Authorization to acquire the personal services of experts and consultants is included in 10 U.S.C. 129b. Personal service contracts for expert and consultant services must also be authorized by a determination and findings (D&F) in accordance with department/agency regulations.
(A) Generally, the D&F should authorize one contract at a time; however, an authorizing official may issue a blanket D&F for classes of contracts.
(B) Prepare each D&F in accordance with FAR 1.7 and include a determination that—
(1) The duties are of a temporary or intermittent nature;
(2) Acquisition of the services is advantageous to the national defense;
(3) DoD personnel with necessary skills are not available;
(4) Excepted appointment cannot be obtained;
(5) A nonpersonal services contract is not practicable;
(6) Statutory authority, 5 U.S.C. 3109 and other legislation, apply; and
(7) Any other determination required by statues has been made.

(ii) Personal services contracts for health care are authorized by 10 U.S.C. 1091.
(A) This authority may be used to acquire—

(1) Direct health care services provided in medical treatment facilities;

(2) Health care services at locations outside of medical treatment facilities (such as the provision of medical screening examinations at military entrance processing stations); and

(3) Services of clinical counselors, family advocacy program staff, and victim’s services representatives to members of the Armed Forces and covered beneficiaries who require such services, provided in medical treatment facilities or elsewhere. Persons with whom a personal services contract may be entered into under this authority include clinical social workers, psychologists, psychiatrists, and other comparable professionals who have advanced degrees in counseling or related academic disciplines and who meet all requirements for State licensure and board certification requirements, if any, within their fields of specialization.

(B) Sources for personal services contracts with individuals under the authority of 10 U.S.C. 1091 shall be selected through the procedures in this section. These procedures do not apply to contracts awarded to business entities other than individuals. Selections made using the procedures in this section are exempt by statute from FAR part 6 competition requirements (see 206.001(b)).

(C) Approval requirements for—

(i) Direct health care personal services contracts (see paragraphs (b)(ii)(A)(1) and (2) of this section) and a pay cap are in DoDI 6025.5, Personal Services Contracts for Health Care Providers.

(ii) A request to enter into a personal services contract for direct health care services must be approved by the commander of the medical/dental treatment facility where the services will be performed.

(iii) A request to enter into a personal services contract for a location outside of a medical treatment facility must be approved by the chief of the medical facility who is responsible for the area in which the services will be performed.

(2) Services of clinical counselors, family advocacy program staff, and victim’s services representatives (see paragraph (b)(ii)(A)(3) of this section), shall be in accordance with agency procedures.

(D) The contracting officer must ensure that the requiring activity provides a copy of the approval with the purchase request.

(E) The contracting officer must provide adequate advance notice of contracting opportunities to individuals residing in the area of the facility. The notice must include the qualification criteria against which individuals responding will be evaluated. The contracting officer shall solicit applicants through at least one local publication which serves the area of the facility. Acquisitions under this section for personal service contracts are exempt from the posting and synopsis requirements of FAR part 5.

(F) The contracting officer shall provide the qualifications of individuals responding to the notice to the commander of the facility for evaluation and ranking in accordance with agency procedures. Individuals must be considered solely on the basis of the professional qualifications established for the particular personal services being acquired and the Government’s estimate of reasonable rates, fees, or other costs. The commander of the facility shall provide the contracting officer with rationale for the ranking of individuals, consistent with the required qualifications.

(G) Upon receipt from the facility of the ranked listing of applicants, the contracting officer shall either—

(i) Enter into negotiations with the highest ranked applicant. If a mutually satisfactory contract cannot be negotiated, the contracting officer shall terminate negotiations with the highest ranked applicant and enter into negotiations with the next highest.

(ii) Enter into negotiations with all qualified applicants and select on the basis of qualifications and rates, fees, or other costs.

(H) In the event only one individual responds to an advertised requirement, the contracting officer is authorized to negotiate the contract award. In this case, the individual must still meet the minimum qualifications of the requirement and the contracting officer must
be able to make a determination that the price is fair and reasonable.

(I) If a fair and reasonable price cannot be obtained from a qualified individual, the requirement should be canceled and acquired using procedures other than those set forth in this section.

(iii) (A) In accordance with 10 U.S.C. 129b(d), an agency may enter into a personal services contract if—

1. The personal services—

   (i) Are to be provided by individuals outside the United States, regardless of their nationality;

   (ii) Directly support the mission of a defense intelligence component or counter-intelligence organization of DoD; or

   (iii) Directly support the mission of the special operations command of DoD; and

2. The head of the contracting activity provides written approval for the proposed contract. The approval shall include a determination that addresses the following:

   (i) The services to be procured are urgent or unique;

   (ii) It would not be practical to obtain such services by other means; and

   (iii) For acquisition of services in accordance with paragraph (b)(ii)(A)(i)(i) of this section, the services to be acquired are necessary and appropriate for supporting DoD activities and programs outside the United States.

(B) The contracting officer shall ensure that the applicable requirements of paragraph (b)(ii)(A)(i)(i) of this section have been satisfied and shall include the approval documentation in the contract file.

(iv) The requirements of 5 U.S.C. 3109, Employment of Experts and Consultants; Temporary or Intermittent, do not apply to contracts entered into in accordance with paragraph (b)(iii) of this section.

(d) See 237.503(c) for requirements for certification and approval of requirements for services to prevent contracts from being awarded or administered in a manner that constitutes an unauthorized personal services contract.

(f)(i) Payment to each expert or consultant for personal services under 5 U.S.C. 3109 shall not exceed the highest rate fixed by the Classification Act Schedules for grade GS–15 (see 5 CFR 304.105(a)).

(ii) The contract may provide for the same per diem and travel expenses authorized for a Government employee, including actual transportation and per diem in lieu of subsistence for travel between home or place of business and official duty station.

(iii) Coordinate with the civilian personnel office on benefits, taxes, personnel ceilings, and maintenance of records.

237.106 Funding and term of service contracts.

(1) Personal service contracts for expert or consultant services shall not exceed 1 year. The nature of the duties must be—

(i) Temporary (not more than 1 year); or

(ii) Intermittent (not cumulatively more than 130 days in 1 year).

(2) The contracting officer may enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed 1 year (10 U.S.C. 2410a).


237.109 Services of quasi-military armed forces.

See 237.102–70b for prohibition on contracting for firefighting or security-guard functions.

[60 FR 61599, Nov. 30, 1995]

237.170 Approval of contracts and task orders for services.

237.170–1 Scope.

This section—

(a) Implement 10 U.S.C. 2330; and

(b) Applies to services acquired for DoD, regardless of whether the services are acquired through—

(1) A DoD contract or task order; or
(2) A contract or task order awarded by an agency other than DoD.

[88 FR 56564, Oct. 1, 2003]

237.170–2 Approval requirements.

(a) Acquisition of services through a contract or task order that is not performance based. (1) For acquisitions at or below $85.5 million, obtain the approval of the official designated by the department or agency.

(2) For acquisitions exceeding $85.5 million, obtain the approval of the senior procurement executive.

(b) Acquisition of services through use of a contract or task order issued by a non-DoD agency. Comply with the review, approval, and reporting requirements established in accordance with Subpart 217.78 when acquiring services through use of a contract or task order issued by a non-DoD agency.


237.171 Training for contractor personnel interacting with detainees.

237.171–1 Scope.

This section prescribes policies to prevent the abuse of detainees, as required by Section 1092 of the National Defense Authorization Act for Fiscal Year 2005 (Pub. L. 108–375).

[70 FR 52033, Sept. 1, 2005]

237.171–2 Definition.

Combatant commander, detainee, and personnel interacting with detainees, as used in this section, are defined in the clause at 252.237–7019, Training for Contractor Personnel Interacting with Detainees.

[71 FR 53048, Sept. 8, 2006]

237.171–3 Policy.

(a) Each DoD contract in which contractor personnel, in the course of their duties, interact with detainees shall include a requirement that such contractor personnel—

(1) Receive Government-provided training regarding the international obligations and laws of the United States applicable to the detention of personnel, including the Geneva Conventions; and

(2) Provide a copy of the training receipt document to the contractor.

(b) The combatant commander responsible for the area where the detention or interrogation facility is located will arrange for the training and a training receipt document to be provided to contractor personnel. For information on combatant commander geographic areas of responsibility and point of contact information for each command, see PGI 237.171–3(b).

[71 FR 53048, Sept. 8, 2006]

237.171–4 Contract clause.

Use the clause at 252.237–7019, Training for Contractor Personnel Interacting with Detainees, in solicitations and contracts for the acquisition of services if—

(a) The clause at 252.225–7040, Contractor Personnel Supporting a Force Deployed Outside the United States, is included in the solicitation or contract; or

(b) The services will be performed at a facility holding detainees, and contractor personnel in the course of their duties may be expected to interact with the detainees.

[70 FR 52033, Sept. 1, 2005]

237.172 Service Contracts Surveillance.

Ensure that quality assurance surveillance plans are prepared in conjunction with the preparation of the statement of work or statement of objectives for solicitations and contracts for services. These plans should be tailored to address the performance risks inherent in the specific contract type and the work effort addressed by the contract. (See FAR Subpart 46.4.) Retain quality assurance surveillance plans in the official contract file. See https://sam.dau.mil, Step Four—Requirements Definition, for examples of quality assurance surveillance plans.

[75 FR 22706, Apr. 30, 2010]

237.173 Prohibition on interrogation of detainees by contractor personnel.

237.173–1 Scope.

This section prescribes policies that prohibit interrogation of detainees by

[75 FR 67633, Nov. 3, 2010]

237.173–2 Definitions.

As used in this subpart—

**Detainee** means any person captured, detained, held, or otherwise under the effective control of DoD personnel (military or civilian) in connection with hostilities. This includes, but is not limited to, enemy prisoners of war, civilian internees, and retained personnel. This does not include DoD personnel or DoD contractor personnel being held for law enforcement purposes.

**Interrogation of detainees** means a systematic process of formally and officially questioning a detainee for the purpose of obtaining reliable information to satisfy foreign intelligence collection requirements.

[75 FR 67633, Nov. 3, 2010]

237.173–3 Policy.

(a) No detainee may be interrogated by contractor personnel.

(b) Contractor personnel with proper training and security clearances may be used as linguists, interpreters, report writers, information technology technicians, and other employees filling ancillary positions, including as trainers of and advisors to interrogators, in interrogations of detainees if—

(1) Such personnel are subject to the same laws, rules, procedures, and policies (including DoD Instruction 1100.22, Policy and Procedures for Determining Workforce Mix; DoD Directive 2310.01E, The Department of Defense Detainee Program; DoD Directive 3115.09, DoD Intelligence Interrogations, Detainee Debriefings, and Tactical Questioning; pertaining to detainee operations and interrogations as those that apply to Government personnel in such positions in such interrogations; and

(2) Appropriately qualified and trained DoD personnel (military or civilian) are available to oversee the contractor’s performance and to ensure that contractor personnel do not perform activities that are prohibited under this section.

[75 FR 67633, Nov. 3, 2010]

237.173–4 Waiver.

The Secretary of Defense may waive the prohibition in 237.173–3(a) for a period of 60 days, if the Secretary determines such a waiver is vital to the national security interests of the United States. The Secretary may renew a waiver issued pursuant to this paragraph for an additional 30-day period, if the Secretary determines that such a renewal is vital to the national security interests of the United States. Not later than five days after issuance of the waiver, the Secretary shall submit written notification to Congress. See specific waiver procedures at DoDI 1100.22.

[75 FR 67633, Nov. 3, 2010]


Insert the clause at 252.237–7010, Prohibition on Interrogation of Detainees by Contractor Personnel, in solicitations and contracts for the provision of services.

[75 FR 67633, Nov. 3, 2010]

Subpart 237.2—Advisory and Assistance Services

237.270 Acquisition of audit services.

(a) General policy. (1) Do not contract for audit services unless—

(i) The cognizant DoD audit organization determines that expertise required to perform the audit is not available within the DoD audit organization; or

(ii) Temporary audit assistance is required to meet audit reporting requirements mandated by law or DoD regulation.

(2) See PGI 237.270 for a list of DoD publications that govern the conduct of audits.

(b) Contract period. Except in unusual circumstances, award contracts for recurring audit services for a 1-year period with at least 2 option years.
(c) Approvals. Do not issue a solicitation for audit services unless the requiring activity provides evidence that the cognizant DoD audit organization has approved the statement of work. The requiring agency shall obtain the same evidence of approval for subsequent material changes to the statement of work.

(d) Solicitation provisions and contract clauses. (1) Use the provision at 252.237–7000, Notice of Special Standards of Responsibility, in solicitations for audit services.

(2) Use the clause at 252.237–7001, Compliance with Audit Standards, in solicitations and contracts for audit services.

[70 FR 57193, Sept. 30, 2005]

Subpart 237.5—Management Oversight of Service Contracts

Source: 75 FR 54525, Sept. 8, 2010, unless otherwise noted.

237.503 Agency-head responsibilities.

(c) The agency head or designee shall employ procedures to ensure that requirements for service contracts are vetted and approved as a safeguard to prevent contracts from being awarded or administered in a manner that constitutes an unauthorized personal services contract. Contracting officers shall follow the procedures at PGI 237.503, include substantially similar certifications in conjunction with service contract requirements, and place the certification in the contract file. The program manager or other official responsible for the requirement, at a level specified by the agency, should execute the certification. In addition, contracting officers and program managers should remain aware of the descriptive elements at FAR 37.104(d) to ensure that a service contract does not inadvertently become administered as a personal-services contract.

[76 FR 25566, May 5, 2011]

Subpart 237.70—Mortuary Services

Source: 71 FR 3416, Jan. 23, 2006, unless otherwise noted.

237.7000 Scope.

This subpart—

(a) Applies to contracts for mortuary services (the care of remains) for military personnel within the United States; and

(b) May be used as guidance in areas outside the United States for mortuary services for deceased military and civilian personnel.

237.7001 Method of acquisition.

(a) Requirements type contract. By agreement among the military activities, one activity in each geographical area will contract for the estimated requirements for the care of remains for all military activities in the area. Use a requirements type contract (see FAR 16.503) when the estimated annual requirements for the activities in the area are ten or more.

(b) Purchase order. Where no contract exists, use DD Form 1155, Order for Supplies or Services, to obtain mortuary services.

237.7002 Area of performance and distribution of contracts.

Follow the procedures at PGI 237.7002 for—

(a) Defining the geographical area to be covered by the contract; and

(b) Distributing copies of the contract.

237.7003 Solicitation provisions and contract clauses.

(a) Use the provision at 252.237–7002, Award to Single Offeror, in all sealed bid solicitations for mortuary services. Use the basic provision with its Alternate I in all negotiated solicitations for mortuary services.

(b) Use the following clauses in all mortuary service solicitations and contracts, except do not use the clauses at 252.237–7004, Area of Performance, in solicitations or contracts that include port of entry requirements:

1. 252.237–7003, Requirements, (insert activities authorized to place orders in paragraph (e) of the clause).

2. 252.237–7004, Area of Performance.


5. 252.237–7007, Termination for Default.
Subpart 237.71—Laundry and Dry Cleaning Services

237.7100 Scope.
This subpart—
(a) Applies to contracts for laundry and dry cleaning services within the United States; and
(b) May be used as guidance in areas outside the United States.

237.7101 Solicitation provisions and contract clauses.
(a) Use the provision at 252.237–7012, Instruction to Offerors (Count-of-Articles), in solicitations for laundry and dry cleaning services to be provided on a count-of-articles basis.
(b) Use the provision at 252.237–7013, Instruction to Offerors (Bulk Weight), in solicitations for laundry services to be provided on a bulk weight basis.
(c) Use the clause at 252.237–7014, Loss or Damage (Count-of-Articles), in solicitations and contracts for laundry and dry cleaning services to be provided on a count-of-articles basis.
(d) Use the clause at 252.237–7015, Loss or Damage (Weight of Articles), in solicitations and contracts for laundry and dry cleaning services to be provided on a bulk weight basis.
(1) Insert a reasonable per pound price in paragraph (b) of the clause, based on the average per pound value. When the contract requires laundry services on a bag type basis, insert reasonable per pound prices by bag type.
(2) Insert an appropriate percentage in paragraph (e) of the clause, not to exceed eight percent.
(e) Use the clause at 252.237–7016, Delivery Tickets, in all solicitations and contracts for laundry and dry cleaning services.

(1) Use the clause with its Alternate I when services are for bag type laundry to be provided on a bulk weight basis.
(2) Use the clause with its Alternate II when services are unsorted laundry to be provided on a bulk weight basis.
(f) Use the clause at 252.237–7017, Individual Laundry, in solicitations and contracts for laundry and dry cleaning services to be provided to individual personnel.
(1) Insert the number of pieces of outer garments in paragraphs (d) (1) and (2) of the clause.
(2) The number of pieces and composition of a bundle in paragraphs (d) (1) and (2) of the clause may be modified to meet local conditions.
(g) Use the clause at 252.237–7018, Special Definitions of Government Property, in all solicitations and contracts for laundry and dry cleaning services.

Subpart 237.72—Educational Service Agreements

237.7200 Scope.
(a) This subpart prescribes acquisition procedures for educational services from schools, colleges, universities, or other educational institutions. This subpart does not include tuition assistance agreements, i.e., payment by the Government of partial tuition under the off-duty educational program.
(b) As used in the subpart—
(1) “Facilities” do not include the institution’s dining rooms or dormitories; and clause “Fees” does not include charges for meals or lodging.

237.7201 Educational service agreement.
(a) An educational service agreement is not a contract, but is an ordering agreement under which the Government may order educational services.
(b) Educational service agreements provide for ordering educational services when—
(1) The Government pays normal tuition and fees for educational services
Defense Acquisition Regulations System, DOD 237.7204

provided to a student by the institution under its normal schedule of tuition and fees applicable to all students generally; and

(2) Enrollment is at the institution under the institution’s normal rules and in courses and curricula which the institution offers to all students meeting admission requirements.

237.7202 Limitations.

(a) Make no agreement under this subpart which will result in payment of Government funds for tuition or other expenses for training in any legal profession, except in connection with the detailing of commissioned officers to law schools under 10 U.S.C. 2004.

(b) Educational service agreements are not used to provide special courses or special fees for Government students.

237.7203 Duration.

(a) Educational service agreements are for an indefinite duration and remain in effect until terminated.

(b) The issuing activity must establish procedures to review each educational service agreement at least once each year. Review dates should consider the institution’s academic calendar and occur at least 30 days before the beginning of a term. The purpose of the review is to incorporate changes to reflect requirements of any statute, Executive Order, FAR, or DFARS.

(c) If the contracting officer and the institution do not agree on required changes, terminate the agreement.

237.7204 Format and clauses for educational service agreements.

Educational service agreements under this subpart shall be in the following format. Add to the schedule any other provisions necessary to describe the requirements, if they are consistent with the following provisions and the policy of acquiring educational services in the form of standard course offerings at the prevailing rates of the institution.

EDUCATIONAL SERVICE AGREEMENT

Agreement No.

1. This agreement entered into on the ______ day of ______, is between the Government, represented by the Contracting Officer, and the Contractor, (name of institution), an educational institution located in ______ (city), ______ (state).

2. This agreement is for educational services to be provided by the Contractor to Government personnel at the Contractor’s institution. The Contractor shall provide instruction with standard offerings of courses available to the public.

3. The Government shall pay for services under the Contractor’s normal schedule of tuition and fees applicable to the public and in effect at the time the services are performed.

4. The Government will review this agreement annually before the anniversary of its effective date for the purpose of incorporating changes required by statutes, executive orders, the Federal Acquisition Regulation, or the Defense Federal Acquisition Regulation Supplement. Changes required to be made by modification to this agreement or by issuance of a superseding agreement. If mutual agreement on the changes cannot be reached, the Government will terminate this agreement.

5. The parties may amend this agreement only by mutual consent.

6. This agreement shall start on the date in paragraph 1 and shall continue until terminated.

7. The estimated annual cost of this agreement is $. This estimate is for administrative purposes only and does not impose any obligation on the Government to request any services or make any payment.


9. Submit invoices to: ______ (name and address of activity).

SCHEDULE PROVISIONS

1. Ordering procedures and services to be provided. (a) The Contractor shall promptly deliver to the Contracting Officer one copy of each catalog applicable to this agreement, and one copy of any subsequent revision.

(b) The Government will request educational services under this agreement by a (insert type of request, such as, delivery order, official Government order, or other written communication). The (insert type of request, such as, delivery order, official Government order, or other written communication) will contain the number of this agreement and will designate as students at the Contractor’s institution one or more Government-selected persons who have already been accepted for admission under the Contractor’s usual admission standards.

(c) All students under this agreement shall register in the same manner, be subject to the same academic regulations, and have the same privileges, including the use of all facilities and equipment as any other students enrolled in the institution.
(d) Upon enrolling each student under this agreement, the Contractor shall, where the resident or nonresident status involves a difference in tuition or fees—

(i) Determine the resident or nonresident status of the student;

(ii) Notify the student and the Contracting Officer of the determination. If there is an appeal of the determination;

(iii) If there is an appeal of the determination, process the appeal under the Contractor’s standard procedures;

(iv) Notify the student and Contracting Officer of the result; and

(v) Make the determination a part of the student’s permanent record.

(e) The Contractor shall not furnish any instruction or other services to any student under this agreement before the effective date of a request for services in the form specified in paragraph (b) of this schedule.

2. Change in curriculum. The Contracting Officer may vary the curriculum for any student enrolled under this agreement but shall not require or make any change in any course without the Contractor’s consent.

3. Payment. (a) The Government shall pay the Contractor the normal tuition and fees which the Contractor charges any students pursuing the same or similar curricula, except for any tuition and fees which this agreement excludes. The Contractor may change any tuition and fees, provided—

(1) The Contractor publishes the revisions in a catalog or otherwise publicly announces the revisions;

(2) Applies the revisions uniformly to all students studying the same or similar curricula;

(3) Provides the Contracting Officer notice of changes before their effective date.

(b) The Contractor shall not establish any tuition or fees which apply solely to students under this agreement.

(c) If the Contractor regularly charges higher tuition and fees for nonresident students, the Contractor may charge the Government the normal nonresident tuition and fees for students under this agreement who are nonresidents. The Government shall not claim resident tuition and fees for any student solely on the basis of the student residing in the State as a consequence of enrollment under this agreement.

(d) The Contractor shall charge the Government only the tuition and fees which relate directly to enrollment as a student. Tuition and fees may include—

(i) Penalty fees for late registration or change of course caused by the Government;

(ii) Mandatory health fees and health insurance charges; and

(iii) Any flat rate charge applicable to all students registered for research that appears in the Contractor’s publicly announced fee schedule.

(e) The Contractor shall not charge the Government for—

(i) Permit charges, such as vehicle registration or parking fees, unless specifically authorized in the request for service; and

(ii) Any equipment, refundable deposits, or any items or services (such as computer time) related to student research.

(f) Normally, the Contractor shall not directly charge individual students for application fees or any other fee chargeable to this agreement. However, if the Contractor’s standard procedures require payment of any fee before the student is enrolled under this agreement, the Contractor may charge the student. When the Contractor receives payment from the Government, the Contractor shall fully reimburse the student.

(g) For each term the Contractor enrolls students under this agreement, the Contractor shall submit copies of an invoice listing charges for each student separately. The Contractor shall submit invoices within 45 days after the start of the term and shall include—

(i) Agreement number and inclusive dates of the term;

(ii) Name of each student;

(iii) A list showing each course for each student if the school charges by credit hour;

(iv) The resident or nonresident status of each student (if applicable to the Contractor’s school); and

(v) A breakdown of charges for each student, including credit hours, tuition, application fee, and other fees. Provide a total for each student and a grand total for all students listed on the invoice.

(h) If unforeseen events require additional charges that are otherwise payable under the Contractor’s normal tuition and fee schedule, the Contractor may submit a supplemental invoice or make the adjustment on the next regular invoice under this agreement. The Contractor shall clearly identify and explain the supplemental invoice or the adjustment.

(i) The Contractor shall apply any credits resulting from withdrawal of students, or from any other cause under its standard procedures, to subsequent invoices submitted under this agreement. Credits should appear on the first invoice submitted after the action resulting in the credits. If no subsequent invoice is submitted, the Contractor shall deliver to the Contracting Officer a check drawn to the order of the office designated for contract administration. The Contractor shall identify the reason for the credit and the applicable term dates in all cases.

4. Withdrawal of students. (a) The Government may, at its option and at any time, withdraw financial support for any student by issuing official orders. The Government will furnish copies of the orders to
the Contractor within a reasonable time after publication.

(b) The Contractor may request withdrawal by the Government of any student for academic or disciplinary reasons.

(c) If withdrawal occurs before the end of a term, the Government will pay any tuition and fees due for the current term. The Contractor shall credit the Government with any charges eligible for refund under the Contractor’s standard procedures for any students in effect on the date of withdrawal.

(d) Withdrawal of students by the Government will not be the basis for any special charge or claim by the Contractor other than charges under the Contractor’s standard procedures.

5. Transcripts. Within a reasonable time after withdrawal of a student for any reason, or after graduation, the Contractor shall send to the Contracting Officer (or to an address supplied by the Contracting Officer) one copy of an official transcript showing all work by the student at the institution until such withdrawal or graduation.

6. Student teaching. The Government does not anticipate the Contractor awarding fellowships and assistantships to students attending school under this agreement. However, for graduate students, should both the student and the Contractor decide it to be in the student’s best interests to assist in the institution’s teaching program, the Contractor may provide nominal compensation for part-time service. Base the compensation on the Contractor’s practices and procedures for other students of similar accomplishment in that department or field. The Contractor shall apply the compensation as a credit against any invoices presented for payment for any period in which the student performed the part-time teaching service.

7. Termination of agreement. (a) Either party may terminate this agreement by giving 30 days advance written notice of the effective date of termination. In the event of termination, the Government shall have the right, at its option, to continue to receive educational services for those students already enrolled in the contractor’s institution under this agreement until such time that the students complete their courses or curricula, or the Government withdraws them from the Contractor’s institution. The terms and conditions of this agreement in effect on the effective date of the termination shall continue to apply to such students remaining in the Contractor’s institution.

(b) Withdrawal of students under Schedule provision 4 shall not be considered a termination within the meaning of this provision 7.

(c) Termination by either party shall not be the basis for any special charge or claim by the Contractor, other than as provided by the Contractor’s standard procedures.
regulations, the provisions of this agreement shall govern.

8. FAR 52.222–3, Convict Labor.
9. Under FAR 22.802, FAR 22.807, and FAR 22.810, use the appropriate clause from FAR 52.222–26, Equal Opportunity.
10. FAR 52.233–1, Disputes.
11. Assignment of Claims. Insert the following clause:

ASSIGNMENT OF CLAIMS

No claim under this agreement shall be assigned.

12. FAR 52.252–4, Alterations in Contract, if required by department/agency procedures.

SIGNATURE PAGE

Agreement No.

Date

The United States of America

By: __________________________

(Contracting Officer)

Activity __________________________

Location __________________________

By: __________________________

(Name of Contractor)

(Title)

[56 FR 36424, July 31, 1991, as amended at 70 FR 35545, June 21, 2005]

Subpart 237.73—Services of Students at Research and Development Laboratories

237.7300 Scope.

This subpart prescribes procedures for acquisition of temporary or intermittent services of students at institutions of higher learning for the purpose of providing technical support at Defense research and development laboratories (10 U.S.C. 2360).

237.7301 Definitions.

As used in this subpart—

(a) Institution of higher learning means any public or private post-secondary school, junior college, college, university, or other degree granting educational institution that—

(1) Is located in the United States or its outlying areas;

(2) Has an accredited education program approved by an appropriate accrediting body; and

(3) Offers a program of study at any level beyond high school.

(b) Nonprofit organization means any organization described by section 501(c)(3) of title 26 of the U.S.C. which is exempt from taxation under section 501(a) of title 26.

(c) Student means an individual enrolled (or accepted for enrollment) at an institution of higher learning before the term of the student technical support contract. The individual shall remain in good standing in a curriculum designed to lead to the granting of a recognized degree, during the term of the contract.

(d) Technical support means any scientific or engineering work in support of the mission of the DoD laboratory involved. It does not include administrative or clerical services.

[56 FR 36424, July 31, 1991, as amended at 70 FR 35545, June 21, 2005]

Subpart 237.74—Services at Installations Being Closed

SOURCE: 59 FR 36089, July 15, 1994, unless otherwise noted.

237.7400 Scope.

This subpart prescribes procedures for contracting, through use of other than full and open competition, with local governments for police, fire protection, airfield operation, or other
Defense Acquisition Regulations System, DOD 237.7602


237.7401 Policy.

The authority in 206.302–5(b)(ii) to contract with local governments—
(a) May be exercised without regard to the provisions of 10 U.S.C. Chapter 146, Contracting for Performance of Civilian Commercial or Industrial Type Functions;
(b) May not be exercised earlier than 180 days before the date the installation is scheduled to be closed;
(c) Requires a determination by the head of the contracting activity that the services being acquired under contract with the local government are in the best interests of the Department of Defense.
(d) Includes the requirement of subpart 222.71, Right of First Refusal of Employment, unless it conflicts with the local government’s civil service selection procedures.

[59 FR 36089, July 15, 1994, as amended at 60 FR 29500, June 5, 1995]

237.7402 Contract clause.

Use the clause at 252.237-7022, Services at Installations Being Closed, in solicitations and contracts based upon the authority of this subpart.

[59 FR 36089, July 15, 1994, as amended at 60 FR 29500, June 5, 1995]

Subpart 237.75—Acquisition and Management of Industrial Resources

SOURCE: 74 FR 37646, July 29, 2009, unless otherwise noted.

237.7501 Definition.

Facilities project, as used in this subpart, means a Government project to provide, modernize, or replace real property for use by a contractor in performing a Government contract or subcontract.

237.7600 Scope.

This subpart prescribes procedures for the acquisition of essential contractor services which support mission-essential functions.

237.7601 Definitions.

As used in this subpart, essential contractor service and mission-essential functions are defined in the clause at 252.237-7023, Continuation of Essential Contractor Services.

237.7602 Policy.

(a) Contractors providing services designated as essential contractor services shall be prepared to continue providing such services, in accordance with the terms and conditions of their contracts, during periods of crisis. As a general rule, the designation of services as essential contractor services will not apply to an entire contract but will apply only to those service functions that have been specifically identified as essential contractor services by the functional commander or civilian equivalent.

(b) Contractors who provide Government-determined essential contractor services shall provide a written plan to
be incorporated in the contract, to ensure the continuation of these services in crisis situations. Contracting officers shall consult with a functional manager to assess the sufficiency of the contractor-provided written plan. Contractors will activate such plans only during periods of crisis, as authorized by the contracting officer, who does so at the direction of the appropriate functional commander or civilian equivalent.

(c) The contracting officer shall follow the procedures at 257.105U(b)(20)(C) in preparing an acquisition plan.

237.7603 Solicitation provision and contract clause.

(a) Use the clause at 252.237–7023, Continuation of Essential Contractor Services in all solicitations and contracts for services that are in support of mission-essential functions.

(b) Use the provision at 252.237–7024, Notice of Continuation of Essential Contractor Services in all solicitations for services that include the clause 252.237–7023.

237.7603 Solicitation provision and contract clause.

(a) Use the clause at 252.237–7023, Continuation of Essential Contractor Services in all solicitations and contracts for services that are in support of mission-essential functions.

(b) Use the provision at 252.237–7024, Notice of Continuation of Essential Contractor Services in all solicitations for services that include the clause 252.237–7023.

**PART 239—ACQUISITION OF INFORMATION TECHNOLOGY**

Subpart 239.1—General

Sec. 239.101 Policy.

Subpart 239.70—Exchange or Sale of Information Technology

239.7001 Policy.

Subpart 239.71—Security and Privacy for Computer Systems

239.7100 Scope of subpart.

239.7101 Definition.

239.7102 Policy and responsibilities.

239.7102–1 General.

239.7102–2 Compromising emanations—TEMPEST or other standard.

239.7102–3 Information assurance contractor training and certification.

239.7103 Contract clauses.

Subpart 239.72—Standards

239.7201 Solicitation requirements.

Subpart 239.73 [Reserved]
239.7101 Definition.

Information assurance, as used in this subpart, means measures that protect and defend information, that is entered, processed, transmitted, stored, retrieved, displayed, or destroyed, and information systems, by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. This includes providing for the restoration of information systems by incorporating protection, detection, and reaction capabilities.

239.7102 Policy and responsibilities.

239.7102-1 General.

(a) Agencies shall ensure that information assurance is provided for information technology in accordance with current policies, procedures, and statutes, to include—

   (1) The National Security Act;
   (2) The Clinger-Cohen Act;
   (3) National Security Telecommunications and Information Systems Security Policy No. 11;
   (4) Federal Information Processing Standards;
   (5) DoD Directive 8500.1, Information Assurance;
   (6) DoD Instruction 8500.2, Information Assurance Implementation;
   (7) DoD Directive 8570.01, Information Assurance Training, Certification, and Workforce Management; and
   (8) DoD Manual 8570.01-M, Information Assurance Workforce Improvement Program.

(b) For all acquisitions, the requiring activity is responsible for providing to the contracting officer—

   (1) The required protections, i.e., an established National TEMPEST standard (e.g., NACSEM 5100, NACSIM 5100A) or a standard used by other authority;
   (2) The required identification markings to include markings for TEMPEST or other standard, certified equipment (especially if to be reused);
   (3) Inspection and acceptance requirements addressing the validation of compliance with TEMPEST or other standards; and
   (4) A date through which the accreditation is considered current for purposes of the proposed contract.

239.7102-3 Information assurance contractor training and certification.

(a) For acquisitions that include information assurance functional services for DoD information systems, or that require any appropriately cleared contractor personnel to access a DoD information system to perform contract duties, the requiring activity is responsible for providing to the contracting officer—

   (1) A list of information assurance functional responsibilities for DoD information systems by category (e.g., technical or management) and level (e.g., computing environment, network environment, or enclave); and
   (2) The information assurance training, certification, certification maintenance, and continuing education or sustainment training required for the information assurance functional responsibilities.

(b) After contract award, the requiring activity is responsible for ensuring that the certifications and certification status of all contractor personnel performing information assurance functions as described in DoD 8570.01-M, Information Assurance Workforce Improvement Program, are in compliance with the manual and are identified, documented, and tracked.

(c) The responsibilities specified in paragraphs (a) and (b) of this section...
apply to all DoD information assurance duties supported by a contractor, whether performed full-time or part-time as additional or embedded duties, and when using a DoD contract, or a contract or agreement administered by another agency (e.g., under an interagency agreement).

(d) See PGI 239.7102–3 for guidance on documenting and tracking certification status of contractor personnel, and for additional information regarding the requirements of DoD 8570.01–M.

[73 FR 1829, Jan. 10, 2008]

239.7103 Contract clauses.

(a) Use the clause at 252.239–7000, Protection Against Compromising Emanations, in solicitations and contracts involving information technology that requires protection against compromising emanations.

(b) Use the clause at 252.239–7001, Information Assurance Contractor Training and Certification, in solicitations and contracts involving contractor performance of information assurance functions as described in DoD 8570.01–M.

[73 FR 1829, Jan. 10, 2008]

Subpart 239.72—Standards

239.7201 Solicitation requirements.

Contracting officers shall ensure that all applicable Federal Information Processing Standards are incorporated into solicitations.

[71 FR 39011, July 11, 2006]

Subpart 239.73 [Reserved]

Subpart 239.74—Telecommunications Services

239.7400 Scope.

This subpart prescribes policy and procedures for acquisition of telecommunications services and maintenance of telecommunications security. Telecommunications services meet the definition of information technology.

[82 FR 1060, Jan. 8, 1997, as amended at 71 FR 39011, July 11, 2006]

239.7401 Definitions.

As used in this subpart—

(a) Common carrier means any entity engaged in the business of providing telecommunications services which are regulated by the Federal Communications Commission or other governmental body.

(b) Foreign carrier means any person, partnership, association, joint-stock company, trust, governmental body, or corporation not subject to regulation by a U.S. governmental regulatory body and not doing business as a citizen of the United States, providing telecommunications services outside the territorial limits of the United States.

(c) Governmental regulatory body means the Federal Communications Commission, any statewide regulatory body, or any body with less than statewide jurisdiction when operating under the State authority. The following are not “governmental regulatory bodies”—

(1) Regulatory bodies whose decisions are not subject to judicial appeal; and

(2) Regulatory bodies which regulate a company owned by the same entity which creates the regulatory body.

(d) Noncommon carrier means any entity other than a common carrier offering telecommunications facilities, services, or equipment for lease.

(e) Securing, sensitive information, and telecommunications systems have the meaning given in the clause at 252.239–7016, Telecommunications Security Equipment, Devices, Techniques, and Services.

(f) Telecommunications means the transmission, emission, or reception of signals, signs, writing, images, sounds, or intelligence of any nature, by wire, cable, satellite, fiber optics, laser, radio, or any other electronic, electric, electromagnetic, or acoustically coupled means.

(g) Telecommunications services means the services acquired, whether by lease or contract, to meet the Government’s telecommunications needs. The term includes the telecommunications facilities and equipment necessary to provide such services.

[56 FR 36429, July 31, 1991, as amended at 70 FR 67918, Nov. 9, 2005]
Defense Acquisition Regulations System, DOD 239.7406

239.7402 Policy.

(a) Acquisition. DoD policy is to acquire telecommunications services from common and noncommon telecommunications carriers—

(1) On a competitive basis, except when acquisition using other than full and open competition is justified;
(2) Recognizing the regulations, practices, and decisions of the Federal Communications Commission (FCC) and other governmental regulatory bodies on rates, cost principles, and accounting practices; and
(3) Making provision in telecommunications services contracts for adoption of—
   (i) FCC approved practices; or
   (ii) The generally accepted practices of the industry on those issues concerning common carrier services where—
       (A) The governmental regulatory body has not expressed itself;
       (B) The governmental regulatory body has declined jurisdiction; or
       (C) There is no governmental regulatory body to decide.

(b) Security. (1) The contracting officer shall ensure, in accordance with agency procedures, that purchase requests identify—
   (i) The nature and extent of information requiring security during telecommunications;
   (ii) The requirement for the contractor to secure telecommunications systems;
   (iii) The telecommunications security equipment, devices, techniques, or services with which the contractor’s telecommunications security equipment, devices, techniques, or services must be interoperable; and
   (iv) The approved telecommunications security equipment, devices, techniques, or services, such as found in the National Security Agency’s Information Systems Security Products and Services Catalogue.

(2) Contractors and subcontractors shall provide all telecommunications security techniques or services required for performance of Government contracts.

(3) Except as provided in paragraph (b)(4) of this section, contractors and subcontractors shall normally provide all required property, to include telecommunications security equipment or related devices, in accordance with FAR 45.102. In some cases, such as for communications security (COMSEC) equipment designated as controlled cryptographic item (CCI), contractors or subcontractors must also meet ownership eligibility conditions.

(4) The head of the agency may authorize provision of the necessary property as Government-furnished property or acquisition as contractor-acquired property, as long as conditions of FAR 45.102(b) are met.


239.7403–239.7404 [Reserved]

239.7405 Delegated authority for telecommunications resources.

The contracting officer may enter into a telecommunications service contract on a month-to-month basis or for any longer period or series of periods, not to exceed a total of 10 years. See PGI 239.7405 for documents relating to this contracting authority, which the General Services Administration has delegated to DoD.

[70 FR 67918, Nov. 9, 2005]

239.7406 Cost or pricing data and information other than cost or pricing data.

(a) Common carriers are not required to submit cost or pricing data before award of contracts for tariffed services. Rates or preliminary estimates quoted by a common carrier for tariffed telecommunications services are considered to be prices set by regulation within the provisions of 10 U.S.C. 2306a. This is true even if the tariff is set after execution of the contract.

(b) Rates or preliminary estimates quoted by a common carrier for nontariffed telecommunications services or by a noncommon carrier for any telecommunications service are not considered prices set by law or regulation.

(c) Contracting officers shall obtain sufficient information to determine that the prices are reasonable in accordance with FAR 15.403-3 or 15.403-4.
See PGI 239.7406 for examples of instances where additional information may be necessary to determine price reasonableness.


239.7407 Type of contract.

When acquiring telecommunications services, the contracting officer may use a basic agreement (see FAR 16.702) in conjunction with communication service authorizations. When using this method, follow the procedures at PGI 239.7407.

[71 FR 27646, May 12, 2006]

239.7408 Special construction.

239.7408–1 General.

(a) Special construction normally involves a common carrier giving a special service or facility related to the performance of the basic telecommunications service requirements.

This may include—
(1) Moving or relocating equipment;
(2) Providing temporary facilities;
(3) Expediting provision of facilities; or
(4) Providing specially constructed channel facilities to meet Government requirements.

(b) Use this subpart instead of FAR part 36 for acquisition of “special construction.”

(c) Special construction costs may be—
(1) A contingent liability for using telecommunications services for a shorter time than the minimum to reimburse the contractor for unamortized nonrecoverable costs. These costs are usually expressed in terms of a termination liability, as provided in the contract or by tariff;
(2) A onetime special construction charge;
(3) Recurring charges for constructed facilities;
(4) A minimum service charge;
(5) An expediting charge; or
(6) A move or relocation charge.

(d) When a common carrier submits a proposal or quotation which has special construction requirements, the contracting officer shall require a detailed special construction proposal. Analyze all special construction proposals to—
(1) Determine the adequacy of the proposed construction;
(2) Disclose excessive or duplicative construction; and
(3) When different forms of charge are possible, provide for the form of charge most advantageous to the Government.

(e) When possible, analyze and approve special construction charges before receiving the service. Impose a ceiling on the special construction costs before authorizing the contractor to proceed, if prior approval is not possible. The contracting officer must approve special construction charges before final payment.

[56 FR 36429, July 31, 1991, as amended at 71 FR 39011, July 11, 2006]

239.7408–2 Applicability of construction labor standards for special construction.

(a) The construction labor standards in FAR Subpart 22.4 ordinarily do not apply to special construction. However, if the special construction includes construction, alteration, or repair (as defined in FAR 22.401) of a public building or public work, the construction labor standards may apply. Determine applicability under FAR 22.402.

(b) Each CSA or other type contract which is subject to construction labor standards under FAR 22.402 shall cite that fact.

[56 FR 36429, July 31, 1991, as amended at 71 FR 39011, July 11, 2006]

239.7409 Special assembly.

(a) Special assembly is the designing, manufacturing, arranging, assembling, or wiring of equipment to provide telecommunications services that cannot be provided with general use equipment.

(b) Special assembly rates and charges shall be based on estimated costs. The contracting officer should negotiate special assembly rates and charges before starting service. When it is not possible to negotiate in advance, use provisional rates and charges subject to adjustment, until final rates and charges are negotiated.
The CSAs authorizing the special assembly shall be modified to reflect negotiated final rates and charges.

[56 FR 36429, July 31, 1991, as amended at 71 FR 39011, July 11, 2006]

239.7410 Cancellation and termination.

(a)(1) Cancellation is stopping a requirement after placing of an order but before service starts.

(2) Termination is stopping a requirement after placing an order and after service starts.

(b) Determine cancellation or termination charges under the provisions of the applicable tariff or agreement/contract.

239.7411 Contract clauses.

(a) In addition to other appropriate FAR and DFARS clauses, use the following clauses in solicitations, contracts, and basic agreements for telecommunications services. Modify the clauses only if necessary to meet the requirements of a governmental regulatory agency—

(1) 252.239–7002, Access;

(2) 252.239–7004, Orders for Facilities and Services;

(3) 252.239–7005, Rates, Charges, and Services;

(4) 252.239–7006, Tariff Information;

(5) 252.239–7007, Cancellation or Termination of Orders;

(6) 252.239–7008, Reuse Arrangements.

(b) Use the following clauses in solicitations, contracts, and basic agreements for telecommunications services when the acquisition includes or may include special construction. Modify the clauses only if necessary to meet the requirements of a governmental regulatory agency—

(1) 252.239–7011, Special Construction and Equipment Charges; and

(2) 252.239–7012, Title to Telecommunication Facilities and Equipment.

(c) Use the following clauses in basic agreements for telecommunications services—

(1) 252.239–7013, Obligation of the Government;

(2) 252.239–7014, Term of Agreement, and insert the effective date of the agreement in paragraph (a) of the clause; and

(3) 252.239–7015, Continuation of Communication Service Authorizations, as appropriate, and insert in paragraph (a) of the clause, the name of the contracting office and the basic agreement or contract number which is being superseded.

(d) Use the clause at 252.239–7016, Telecommunications Security Equipment, Devices, Techniques, and Services, in solicitations and contracts when performance of a contract requires secure telecommunications.

same entity that created the regulatory body, e.g., a municipal utility.

Regulated utility supplier means a utility supplier regulated by an independent regulatory body.

Service power procurement officer means for the—

(1) Army, the Chief of Engineers;
(2) Navy, the Commander, Naval Facilities Engineering Command;
(3) Air Force, the head of a contracting activity; and
(4) Defense Logistics Agency, the head of a contracting activity.

[63 FR 11539, Mar. 9, 1998, as amended at 71 FR 3417, Jan. 23, 2006]

241.102 Applicability.

(a) This part applies to purchase of utility services from nonregulated and regulated utility suppliers. It includes the acquisition of liquefied petroleum gas as a utility service when purchased from regulated utility suppliers.

(b)(7) This part does not apply to third party financed projects. However, it may be used for any purchased utility services directly resulting from such projects, including those authorized by—

(A) 10 U.S.C. 2394 for energy, fuels, and energy production facilities for periods not to exceed 30 years;
(B) 10 U.S.C. 2394a for renewable energy for periods not to exceed 25 years;
(C) 10 U.S.C. 2689 for geothermal resources that result in energy production facilities;
(D) 10 U.S.C. 2699 for potable and waste water treatment plants for periods not to exceed 32 years; and
(E) 10 U.S.C. 2612 for lease/purchase of energy production facilities for periods not to exceed 32 years.

241.103 Statutory and delegated authority.

(1) The contracting officer may enter into a utility service contract related to the conveyance of a utility system for a period not to exceed 50 years (10 U.S.C. 2688(d)(2)).
(2) See 217.174 for authority to enter into multiyear contracts for electricity from renewable energy sources.

(3) See PGI 241.103 for statutory authorities and maximum contract periods for utility and energy contracts.


Subpart 241.2—Acquiring Utility Services

241.201 Policy.

(1) DoD, as a matter of comity, generally complies with the current regulations, practices, and decisions of independent regulatory bodies. This policy does not extend to nonindependent regulatory bodies.

(2) Purchases of utility services outside the United States may use—

(i) Formats and technical provisions consistent with local practice; and
(ii) Dual language forms and contracts.

(3) Rates established by an independent regulatory body—

(i) Are considered “prices set by law or regulation”;
(ii) Are sufficient to set prices without obtaining cost or pricing data (see FAR Subpart 15.4); and
(iii) Are a valid basis on which prices can be determined fair and reasonable.

(4) Compliance with the regulations, practices, and decisions of independent regulatory bodies as a matter of comity is not a substitute for the procedures at FAR 41.202(a).

[71 FR 3418, Jan. 23, 2006]

241.202 Procedures.

(1) Connection and service charges. The Government may pay a connection charge when required to cover the cost of the necessary connecting facilities. A connection charge based on the estimated labor cost of installing and removing the facility shall not include salvage cost. A lump-sum connection charge shall be no more than the agreed cost of the connecting facilities less net salvage. The order of precedence for contractual treatment of connection and service charges is—

(i) No connection charge.
(ii) Termination liability. Use when an obligation is necessary to secure the required services. The obligation must
be not more than the agreed connection charge, less any net salvage material costs. Use of a termination liability instead of a connection charge requires the approval of the service power procurement officer or designee.

(iii) Connection charge, refundable. Use a refundable connection charge when the supplier refuses to provide the facilities based on lack of capital or published rules which prohibit providing up-front funding. The contract should provide for refund of the connection charge within five years unless a longer period or omission of the refund requirement is authorized by the service power procurement officer or designee.

(iv) Connection and service charges, nonrefundable. The Government may pay certain nonrefundable, nonrecurring charges including service initiation charges, a contribution in aid of construction, membership fees, and charges required by the supplier’s rules and regulations to be paid by the customer. If possible, consider sharing with other than Government users the use of (and costs for) facilities when large nonrefundable charges are required.

(2) Construction and labor requirements. Follow the procedures at PGI 241.202(2) for construction and labor requirements associated with connection and service charges.

[71 FR 3417, Jan. 23, 2006]

241.205 Separate contracts.

Follow the procedures at PGI 241.205 when acquiring utility services by separate contract.

[71 FR 3417, Jan. 23, 2006]

Subpart 241.5—Solicitation Provision and Contract Clauses

241.501 Solicitation provision and contract clauses.

(d)(1) Use a clause substantially the same as the clause at FAR 52.241–7, Change in Rates or Terms and Conditions of Service for Regulated Services, when the utility services to be provided are subject to an independent regulatory body.

(2) Use a clause substantially the same as the clause at FAR 52.241–8, Change in Rates or Terms and Conditions of Service for Unregulated Services, when the utility services to be provided are not subject to a regulatory body or are subject to a non-independent regulatory body.

[71 FR 3418, Jan. 23, 2006]

241.501–70 Additional clauses.

(a) If the Government must execute a superseding contract and capital credits, connection charge credits, or termination liability exist, use the clause at 252.241–7000, Superseding Contract.

(b) Use the clause at 252.241–70001, Government Access, when the clause at FAR 52.241–5, Contractor’s Facilities, is used.
SUBCHAPTER G—CONTRACT MANAGEMENT

PART 242—CONTRACT ADMINISTRATION AND AUDIT SERVICES

Sec.
242.002 Interagency agreements.

Subpart 242.2—Contract Administration Services

242.200–70 Scope of subpart.
242.202 Assignment of contract administration.

Subpart 242.3—Contract Administration Office Functions

242.301 General.
242.302 Contract administration functions.

Subpart 242.5—Postaward Orientation

242.503 Postaward conferences.
242.503–2 Post-award conference procedure.

Subpart 242.6—Corporate Administrative Contracting Officer

242.602 Assignment and location.

Subpart 242.7—Indirect Cost Rates

242.705 Final indirect cost rates.
242.705–1 Contracting officer determination procedure.
242.705–2 Auditor determination procedure.
242.771 Independent research and development and bid and proposal costs.
242.771–1 Scope.
242.771–2 Policy.
242.771–3 Responsibilities.

Subpart 242.8—Disallowance of Costs

242.803 Disallowing costs after incurrence.

Subpart 242.11—Production Surveillance and Reporting

242.1104 Surveillance requirements.
242.1105 Assignment of criticality designator.
242.1106 Reporting requirements.
242.1107 Contract clause.

Subpart 242.12—Novation and Change-of-Name Agreements

242.1203 Processing agreements.
242.1204 Agreement to recognize a successor in interest (novation agreement).

Subpart 242.14—Traffic and Transportation Management

242.1402 Volume movements within the contiguous United States.
242.1404 Shipments by parcel post or other classes of mail.
242.1404–1 Parcel post eligible shipments.
242.1404–2 Contract clauses.
242.1404–2–70 Additional clause.
242.1405 Discrepancies incident to shipment of supplies.
242.1470 Demurrage and detention charges.

SUBPART 242.70—CONTRACTOR BUSINESS SYSTEMS

Sec.
242.7000 Contractor business system deficiencies.
242.7001 Contract clause.

Subpart 242.71—Voluntary Refunds

242.7100 General.

Subpart 242.72—Contractor Material Management and Accounting System

242.7200 Scope of subpart.
242.7201 Definitions.
242.7203 Review procedures.
242.7204 Contract clause.

Subpart 242.73—Contractor Insurance/Pension Review

242.7301 General.
242.7302 Requirements.
242.7303 Responsibilities.

Subpart 242.74—Technical Representation at Contractor Facilities

242.7400 General.
242.7401 Procedures.

Subpart 242.75—Contractor Accounting Systems and Related Controls

242.7501 Definitions.
242.7502 Policy.
242.7503 Contract clause.


SOURCE: 56 FR 36437, July 31, 1991, unless otherwise noted.

242.002 Interagency agreements.

(b)(i) DoD requires reimbursement, at a rate set by the Under Secretary of
Defense Acquisition Regulations System, DOD 242.202

Defence (Comptroller/Chief Financial Officer), from non-DoD organizations, except for—

(A) Quality assurance, contract administration, and audit services provided under a no-charge reciprocal agreement;

(B) Services performed under subcontracts awarded by the Small Business Administration under FAR subpart 19.8; and

(C) Quality assurance and pricing services performed for the Supply and Services Canada.

(ii) Departments and agencies may request an exception from the reimbursement policy in paragraph (b)(i) of this section from the Under Secretary of Defense (Comptroller/Chief Financial Officer). A request must show that an exception is in the best interest of the Government.

(iii) Departments and agencies must pay for services performed by non-DoD activities, foreign governments, or international organizations, unless otherwise provided by reciprocal agreements.

(S–70)(i) Foreign governments and international organizations may request contract administration services on their direct purchases from U.S. producers. Direct purchase is the purchase of defense supplies in the United States through commercial channels for use by the foreign government or international organization.

(ii) Supply and Services Canada (SSC) is permitted to submit its requests for contract administration services directly to the cognizant contract administration office.

(iii) Other foreign governments (including Canadian government organizations other than SSC) and international organizations send their requests for contract administration services to the DoD Central Control Point (CCP) at the Headquarters, Defense Contract Management Agency, International and Federal Business Team. Contract administration offices provide services only upon request from the CCP. The CCP shall follow the procedures at PGI 242.002(S–70)(iii).

Subpart 242.2—Contract Administration Services

SOURCE: 64 FR 61029, Nov. 9, 1999, unless otherwise noted.

242.200–70 Scope of subpart.

This subpart does not address the contract administration role of a contracting officer's representative (see 201.602).

242.202 Assignment of contract administration.

(a)(i) DoD activities shall not retain any contract for administration that requires performance of any contract administration function at or near contractor facilities, except contracts for—

(A) The National Security Agency;

(B) Research and development with universities;

(C) Flight training;

(D) Management and professional support services;

(E) Mapping, charting, and geodesy services;

(F) Base, post, camp, and station purchases;

(G) Operation or maintenance of, or installation of equipment at, radar or communication network sites;

(H) Communications services;

(I) Installation, operation, and maintenance of space-track sensors and relays;

(J) Dependents Medicare program contracts;

(K) Stevedoring contracts;

(L) Construction and maintenance of military and civil public works, including harbors, docks, port facilities, military housing, development of recreational facilities, water resources, flood control, and public utilities;

(M) Architect-engineer services;

(N) Airlift and sealift services (Air Mobility Command and Military Sealift Command may perform contract administration services at contractor locations involved solely in performance of airlift or sealift contracts);

(O) Subsistence supplies;

(P) Ballistic missile sites (contract administration offices may perform supporting administration of these contracts at missile activation sites during the installation, test, and
(Q) Operation and maintenance of, or installation of equipment at, military test ranges, facilities, and installations; and

(ii) Contract administration functions for base, post, camp, and station contracts on a military installation are normally the responsibility of the installation or tenant commander. However, the Defense Contract Management Agency (DCMA) shall, upon request of the military department, and subject to prior agreement, perform contract administration services on a military installation.

(iii) DCMA shall provide preaward survey assistance for post, camp, and station work performed on a military installation. The contracting office and the DCMA preaward survey monitor should jointly determine the scope of the survey and individual responsibilities.

(iv) To avoid duplication, contracting offices shall not locate their personnel at contractor facilities, except—
(A) In support of contracts retained for administration in accordance with paragraph (a)(i) of this section; or
(B) As permitted under subpart 242.74.

(c)(1)(A) In special circumstances, a contract administration office may request support from a component not listed in the Federal Directory of Contract Administration Services Components (available via the Internet at http://home.dcma.mil/casbook/casbook.htm). An example is a situation where the contractor’s work site is on a military base and a base organization is asked to provide support. Before formally sending the request, coordinate with the office concerned to ensure that resources are available for, and capable of, providing the support.

(B) When requesting support on a subcontract that includes foreign contract military sale (FMS) requirements, the contract administration office shall—
(1) Mark “FMS Requirement” on the face of the documents; and
(2) For each FMS case involved, provide the FMS case identifier, associated item quantities, DoD prime contract number, and prime contract line/subline item number.

Subpart 242.3—Contract Administration Office Functions

242.301 General.

Contract administration services performed outside the U.S. should be performed in accordance with FAR 42.301 unless there are no policies and procedures covering a given situation. In this case, coordinate proposed actions with the appropriate U.S. country teams or commanders of unified and specified commands.

242.302 Contract administration functions.

(a)(4) Also, review and evaluate—
(A) Contractor estimating systems (see FAR 15.407–5); and
(B) Contractor material management and accounting systems under subpart 242.72.

(7) See 242.7502 for ACO responsibilities with regard to receipt of an audit report identifying significant accounting system or related internal control deficiencies.

(9) For additional contract administration functions related to IR&D/B&P projects performed by major contractors, see 242.771–3(a).

(12) Also perform all payment administration in accordance with any applicable payment clauses.

(13)(A) Do not delegate the responsibility to make payments to the Defense Contract Management Agency (DCMA).

(B) Follow the procedures at PGI 242.302(a)(13)(B) for designation of payment offices.

(39) See 223.370 for contract administration responsibilities on contracts for ammunition and explosives.

(67) Also support program offices and buying activities in precontractual efforts leading to a solicitation or award.

(S–70) Serve as the single point of contact for all Single Process Initiative (SPI) Management Council activities. The ACO shall negotiate and execute facilitywide class modifications
and agreements for SPI processes, when authorized by the affected components.

(S–71) DCMA has responsibility for reviewing earned value management system (EVMS) plans and for verifying initial and continuing contractor compliance with DoD EVMS criteria. The contracting officer shall not retain this function.

(S–72) Ensure implementation of the Synchronized Predeployment and Operational Tracker (SPOT) by the contractor and maintain surveillance over contractor compliance with SPOT business rules available at the Web site provided at PGI 225.7402–5(a)(iv) for contracts incorporating the clause at 252.234–7004, Contractor Personnel Authorized to Accompany U.S. Armed Forces Deployed Outside the United States.

(b)(S–70) Issue, negotiate, and execute orders under basic ordering agreements for overhaul, maintenance, and repair.

[71 FR 44928, Aug. 8, 2006, as amended at 76 FR 36884, June 23, 2011]

Subpart 242.5—Postaward Orientation

242.503 Postaward conferences.

242.503–2 Post-award conference procedure.

(a) DD Form 1484, Post-Award Conference Record, may be used in conducting the conference and in preparing the conference report.

(b) For contracts that include the clause at 252.234–7004, Cost and Software Data Reporting, postaward conferences shall include a discussion of the contractor’s standard cost and software data reporting (CSDR) process that satisfies the guidelines contained in the DoD 5000.04–M–1, CSDR Manual, and the requirements in the Government-approved CSDR plan for the contract, DD Form 2794, and related Resource Distribution Table.

[71 FR 44928, Aug. 8, 2006, as amended at 76 FR 36884, June 23, 2011]

242.705–1 Contracting officer determination procedure.

(a) Applicability and responsibility. (1) The corporate administrative contracting officer and individual administrative contracting officers shall jointly decide how to conduct negotiations. Follow the procedures at PGI 242.705–1(a)(1) when negotiations are conducted on a coordinated basis.

[70 FR 67920, Nov. 9, 2005]

242.705–2 Auditor determination procedure.

(b) Procedures. (2)(iii) When agreement cannot be reached with the contractor, the auditor will issue a DCAA Form 1, Notice of Contract Costs Suspended and/or Disapproved, in addition to the advisory report to the administrative contracting officer.

[56 FR 36437, July 31, 1991, as amended at 60 FR 61599, Nov. 30, 1995; 64 FR 61330, Nov. 9, 1999; 70 FR 67920, Nov. 9, 2005]

242.771 Independent research and development and bid and proposal costs.

242.771–1 Scope.

This section implements 10 U.S.C. 2372, Independent research and development and bid and proposal costs: Payments to contractors.

[64 FR 8730, Feb. 23, 1999]

242.771–2 Policy.

Defense contractors are encouraged to engage in independent research and development and bid and proposal
(IR&D/B&P) activities of potential interest to DoD, including activities cited in 231.205–18(c)(iii)(B).
[64 FR 8730, Feb. 23, 1999]

242.771–3 Responsibilities.

(a) The cognizant administrative contracting officer (ACO) or corporate ACO shall—

1. Determine cost allowability of IR&D/B&P costs as set forth in 231.205–18 and FAR 31.205–18;

2. Determine whether IR&D/B&P projects performed by major contractors (see 231.205–18(a)) are of potential interest to DoD; and

3. Notify the contractor promptly of any IR&D/B&P activities that are not of potential interest to DoD.

(b) The Defense Contract Management Agency or the military department responsible for performing contract administration functions is responsible for providing the Defense Contract Audit Agency (DCAA) with IR&D/B&P statistical information, as necessary, to assist DCAA in the annual report required by paragraph (c) of this subsection.

(c) DCAA is responsible for submitting an annual report to the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics (OUSD (AT&L))) setting forth required statistical information relating to the DoD-wide IR&D/B&P program.

(d) The Director, Defense Research and Engineering (OUSD(AT&L)DDR&E), is responsible for establishing a regular method for communication—

1. From DoD to contractors, of timely and comprehensive information regarding planned or expected DoD future needs; and

2. From contractors to DoD, of brief technical descriptions of contractor IR&D projects.

(ii) Shall not perform production surveillance on contractors that have only Criticality Designator C contracts, unless specifically requested by the contracting officer; and

(iii) When production surveillance is required, shall—

(A) Conduct a periodic risk assessment of the contractor to determine the degree of production surveillance needed for all contracts awarded to that contractor. The risk assessment shall consider information provided by the contractor and the contracting officer;

(B) Develop a production surveillance plan based on the risk level determined during a risk assessment;

(C) Modify the production surveillance plan to incorporate any special surveillance requirements for individual contracts, including any requirements identified by the contracting officer; and

(D) Monitor contract progress and identify potential contract delinquencies in accordance with the production surveillance plan. Contracts with Criticality Designator C are exempt from this requirement unless specifically requested by the contracting officer.

[69 FR 31912, June 8, 2004]

242.1107 Contract clause.

(b) When using the clause at FAR 52.242–2, include the following instructions in the contract schedule—

(i) Frequency and timing of reporting (normally 5 working days after each reporting period);

(ii) Contract line items, exhibits, or exhibit line items requiring reports;

(iii) Offices (with addressees/codes) where reports should be sent (always include the contracting office and contract administration office); and

(iv) The following requirements for report content—

(A) The problem, actual or potential, and its cause;

(B) Items and quantities affected;

(C) When the delinquency started or will start;

(D) Actions taken to overcome the delinquency;

(E) Estimated recovery date; and/or

(F) Proposed schedule revision.

Subpart 242.12—Novation and Change-of-Name Agreements

242.1203 Processing agreements.

The responsible contracting officer shall process and execute novation and change-of-name agreements in accordance with the procedures at PGI 242.1203.

[70 FR 67920, Nov. 9, 2005]

242.1204 Agreement to recognize a successor in interest (novation agreement).

(i) When a novation agreement is required and the transferee intends to incur restructuring costs as defined at
242.1402 Volume movements within the contiguous United States.

(a)(2) In reporting planned and actual volume movements—
   (i) The contracting officer—
      (I) Provides production schedules and planned destinations to the servicing transportation office as soon as the information is available to permit the transportation office to determine if volume movements will occur. If a volume movement appears likely, the transportation office reports a planned volume movement in accordance with DoD 4500.9–R, Defense Transportation Regulation, Part II, Chapter 201.

   (ii) Sends a copy of the volume movement report to the contract administration office.

   (B) The contract administration office submits a volume movement report when—
      (I) Significant changes are made to the movement requirements; or
      (2) The contracting office did not submit a report.

   (C) Include the destination country, freight forwarder, and, if known, port of embarkation on volume movement reports for foreign military sale shipments.


242.1404 Shipments by parcel post or other classes of mail.

242.1404–1 Parcel post eligible shipments.


[56 FR 67220, Dec. 30, 1991]

242.1404–2 Contract clauses.

When using FAR 52.213–1, Fast Payment Procedures, do not use FAR clauses 52.242–10, F.o.b. Origin—Government Bills of Lading or Prepaid Postage, or 52.242–11, F.o.b. Origin—Government Bills of Lading or Indicia Mail.

242.1404–2–70 Additional clause.

Use the clause at 252.242–7003, Application for U.S. Government Shipping Documentation/Instructions, when using the clause at FAR 52.242–10, F.o.b. Origin—Government Bills of...
Lading or Prepaid Postage, or FAR 52.242-11, F.o.b. Origin—Government Bills of Lading or Indicia Mail.


242.1405 Discrepancies incident to shipment of supplies.

(a) See also DoD 4500.9-R, Defense Transportation Regulation, Part II, Chapter 210, for discrepancy procedures.

[65 FR 50144, Aug. 17, 2000]

242.1470 Demurrage and detention charges.

(a) Carrier demurrage rules usually allow for a “free time” for loading or unloading cars or for any other purpose, and impose charges for cars held beyond this period. If a contractor detains railroad cars beyond the “free time,” the contractor has to pay the carrier’s published tariff charges for demurrage.

(b) Detention results when a shipper or consignee holds motor carrier equipment beyond a reasonable period for loading, unloading, forwarding directions, or any other reason. Detention rules and charges are not uniform; they are published in individual carrier or agency tenders.


SUBPART 242.70—CONTRACTOR BUSINESS SYSTEMS

Source: 76 FR 28868, May 18, 2011, unless otherwise noted.

242.7000 Contractor business system deficiencies.

(a) Definitions. As used in this subpart—

Acceptable contractor business systems and contractor business systems are defined in the clause at 252.242–7005, Contractor Business Systems.

Covered contract means a contract that is subject to the Cost Accounting Standards under 41 U.S.C. chapter 15, as implemented in regulations found at 48 CFR 9903.201–1 (see the FAR Appendix).

Significant deficiency is defined in the clause at 252.242–7005, Contractor Business Systems.

(b) Determination to withhold payments. If the contracting officer makes a final determination to disapprove a contractor’s business system in accordance with the clause at 252.242–7005, Contractor Business Systems, the contracting officer shall—

(1) In accordance with agency procedures, identify one or more covered contracts containing the clause at 252.242–7005, Contractor Business Systems, from which payments will be withheld. When identifying the covered contracts from which to withhold payments, the contracting officer shall ensure that the total amount of payment withholding under 252.242–7005, does not exceed 10 percent of progress payments, performance-based payments, and interim payments under cost, labor-hour, and time-and-materials contracts billed under each of the identified covered contracts. Similarly, the contracting officer shall ensure that the total amount of payment withholding under the clause at 252.242–7005, Contractor Business Systems, for each business system does not exceed five percent of progress payments, performance-based payments, and interim payments under cost, labor-hour, and time-and-materials contracts billed under each of the identified covered contracts. The contracting officer has the sole discretion to identify the covered contracts from which to withhold payments.

(2) Promptly notify the contractor, in writing, of the contracting officer’s determination to implement payment withholding in accordance with the clause at 252.242–7005, Contractor Business Systems, for each business system does not exceed five percent of progress payments, performance-based payments, and interim payments under cost, labor-hour, and time-and-materials contracts billed under each of the identified covered contracts. The contracting officer has the sole discretion to identify the covered contracts from which to withhold payments.

(i) Payments shall be withheld from the contract or contracts identified in the written determination in accordance with the clause at 252.242–7005, Contractor Business Systems, until the contracting officer determines that there are no remaining significant deficiencies; and

(ii) The contracting officer reserves the right to take other actions within
the terms and conditions of the contract.

(3) Provide all contracting officers administering the selected contracts from which payments will be withheld, a copy of the determination. The contracting officer shall also provide a copy of the determination to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

(c) Monitoring contractor's corrective action. The contracting officer, in consultation with the auditor or functional specialist, shall monitor the contractor's progress in correcting the deficiencies. The contracting officer shall notify the contractor of any decision to decrease or increase the amount of payment withholding in accordance with the clause at 252.242-7005, Contractor Business Systems.

(d) Correction of significant deficiencies. (1) If the contractor notifies the contracting officer that the contractor has corrected the significant deficiencies, the contracting officer shall request the auditor or functional specialist to review the correction to verify that the deficiencies have been corrected. If, after receipt of verification, the contracting officer determines that the contractor has corrected all significant deficiencies as directed by the contracting officer's final determination, the contractor shall discontinue the withholding of payments, release any payments previously withheld, and approve the system, unless other significant deficiencies remain.

(2) Prior to the receipt of verification, the contracting officer may discontinue withholding payments pending receipt of verification, and release any payments previously withheld, if the contractor submits evidence that the significant deficiencies have been corrected, and the contracting officer, in consultation with the auditor or functional specialist, determines that there is a reasonable expectation that the corrective actions have been implemented.

(3) Within 90 days of receipt of the contractor's notification that the contractor has corrected the significant deficiencies, the contracting officer shall—

(i) Make a determination that—

(A) The contractor has corrected all significant deficiencies as directed by the contracting officer's final determination in accordance with paragraph (d)(1) of this section;

(B) There is a reasonable expectation that the corrective actions have been implemented in accordance with paragraph (d)(2) of this section; or

(C) The contractor has not corrected all significant deficiencies as directed by the contracting officer's final determination in accordance with paragraph (d)(1) of this section, or there is not a reasonable expectation that the corrective actions have been implemented in accordance with paragraph (d)(2) of this section; or

(ii) Reduce withholding directly related to the significant deficiencies covered under the corrective action plan by at least 50 percent of the amount being withheld from progress payments and performance-based payments, and direct the contractor, in writing, to reduce the percentage withheld on interim cost vouchers by at least 50 percent, until the contracting officer makes a determination in accordance with paragraph (d)(3)(i) of this section.

(4) If, at any time, the contracting officer determines that the contractor has failed to correct the significant deficiencies identified in the contractor's notification, the contracting officer will continue, reinstate, or increase withholding from progress payments and performance-based payments, and direct the contractor, in writing, to continue, reinstate, or increase withholding from progress payments and performance-based payments, and direct the contractor, in writing, to continue, reinstate, or increase the percentage withheld on interim cost vouchers to the percentage initially withheld, until the contracting officer determines that the contractor has corrected all significant deficiencies as directed by the contracting officer's final determination.

(e) For sample formats for written notifications of contracting officer determinations to initiate payment withholding, reduce payment withholding, and discontinue payment withholding in accordance with the clause at DFARS 252.242-7005, Contractor Business Systems, see PGI 242.7000.
242.7001 Contract clause.

Use the clause at 252.242-7005, Contractor Business Systems, in solicitations and contracts (other than in contracts with educational institutions or Federally Funded Research and Development Centers (FFRDCs) operated by educational institutions) when—

(a) The resulting contract will be a covered contract as defined in 242.7000(a); and

(b) The solicitation or contract includes any of the following clauses:


2. 252.234-7002, Earned Value Management System.

3. 252.242-7004, Material Management and Accounting System.

4. 252.242-7006, Accounting System Administration.

5. 252.244-7001, Contractor Purchasing System Administration.

6. 252.245-7003, Contractor Property Management System Administration.

Subpart 242.71—Voluntary Refunds

242.7100 General.

A voluntary refund is a payment or credit (adjustment under one or more contracts or subcontracts) to the Government from a contractor or subcontractor that is not required by any contractual or other legal obligation. Follow the procedures at PGI 242.7100 for voluntary refunds.

[70 FR 67920, Nov. 9, 2005]

Subpart 242.72—Contractor Material Management and Accounting System

Source: 65 FR 77833, Dec. 13, 2000, unless otherwise noted.

242.7200 Scope of subpart.

(a) This subpart provides policies, procedures, and standards for use in the evaluation of a contractor’s material management and accounting system (MMAS).

(b) The policies, procedures, and standards in this subpart—

1. Apply only when the contractor has contracts exceeding the simplified acquisition threshold that are not for the acquisition of commercial items and are either—

   (i) Cost-reimbursement contracts; or

   (ii) Fixed-price contracts with progress payments made on the basis of costs incurred by the contractor as work progresses under the contract; and

2. Do not apply to small businesses, educational institutions, or nonprofit organizations.

242.7201 Definitions.

Acceptable material management and accounting system, material management and accounting system, and valid time-phased requirements are defined in the clause at 252.242-7004, Material Management and Accounting System.

Significant deficiency is defined in the clause at 252.242-7004, Material Management and Accounting System.

[76 FR 28869, May 18, 2011]

242.7202 Policy.

(a) DoD policy is for its contractors to have an MMAS that conforms to the standards in paragraph (e) of the clause at 252.242-7004, Material Management and Accounting System, so that the system—

1. Reasonably forecasts material requirements;

2. Ensures the costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements; and

3. Maintains a consistent, equitable, and unbiased logic for costing of material transactions.

(b) The cognizant contracting officer, in consultation with the auditor and functional specialist, if appropriate, shall—

1. Determine the acceptability of the contractor’s MMAS and approve or disapprove the system; and

2. Pursue correction of any deficiencies.

(c) In evaluating the acceptability of the contractor’s MMAS, the contracting officer, in consultation with the auditor and functional specialist, if appropriate, shall determine whether the contractor’s MMAS complies with the system criteria for an acceptable MMAS as prescribed in the clause at
252.242–7004, Material Management and Accounting System.

[76 FR 28869, May 18, 2011]

242.7203 Review procedures.

(a) Criteria for conducting reviews. Conduct an MMAS review when—

(1) A contractor has $40 million of qualifying sales to the Government during the contractor’s preceding fiscal year; and

(2) The administrative contracting officer (ACO), with advice from the auditor, determines an MMAS review is needed based on a risk assessment of the contractor’s past experience and current vulnerability.

(b) Qualifying sales. Qualifying sales are sales for which cost or pricing data were required under 10 U.S.C. 2306a, as implemented in FAR 15.403, or that are contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis. Sales include prime contracts, subcontracts, and modifications to such contracts and subcontracts.

(c) Disposition of findings—(1) Reporting of findings. The auditor or functional specialist shall document findings and recommendations in a report to the contracting officer. If the auditor or functional specialist identifies any significant MMAS deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.

(2) Initial determination. (i) The contracting officer shall review findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor’s MMAS is acceptable and approved; or

(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.242–7004, Material Management and Accounting System) due to the contractor’s failure to meet one or more of the MMAS system criteria in the clause at 252.242–7004, Material Management and Accounting System, the contracting officer shall—

(A) Promptly make an initial written determination on any significant deficiency in sufficient detail to allow the contractor to understand the deficiency;

(B) Request the contractor to respond, in writing, to the initial determination within 30 days; and

(C) Promptly evaluate the contractor’s response to the initial determination in consultation with the auditor or functional specialist, and make a final determination.

(3) Final determination. (i) The ACO shall make a final determination and notify the contractor that—

(A) The contractor’s MMAS is acceptable and approved, and no deficiencies remain, or

(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(1) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(2) Disapprove the system in accordance with the clause at 252.242–7004, Material Management and Accounting System; and

(3) Withhold payments in accordance with the clause at 252.242–7005, Contractor Business Systems, if the clause is included in the contract.

(ii) Follow the procedures relating to monitoring a contractor’s corrective action and the correction of significant deficiencies in PGI 242.7203.

(d) System approval. The contracting officer shall promptly approve a previously disapproved MMAS and notify the contractor when the contracting officer determines that there are no remaining significant deficiencies.

(e) Contracting officer notifications. The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant
contracting officers in contract administration activities.


242.7204 Contract clause.

Use the clause at 252.242–7004, Material Management and Accounting System, in all solicitations and contracts exceeding the simplified acquisition threshold that are not for the acquisition of commercial items and—

(a) Are not awarded to small businesses, educational institutions, or nonprofit organizations; and

(b) Are either—

(1) Cost-reimbursement contracts; or

(2) Fixed-price contracts with progress payments made on the basis of costs incurred by the contractor as work progresses under the contract.

Subpart 242.73—Contractor Insurance/Pension Review

242.7301 General.

(a) The administrative contracting officer (ACO) is responsible for determining the allowability of insurance/pension costs in Government contracts and for determining the need for a Contractor Insurance Pension Review (CIPR). Defense Contract Management Agency (DCMA) insurance/pension specialists and Defense Contract Audit Agency (DCAA) auditors assist ACOs in making these determinations, conduct CIPRs when needed, and perform other routine audits as authorized under FAR 42.705 and 52.215–2. A CIPR is a DCMA/DCAA joint review that—

(1) Provides an in-depth evaluation of a contractor’s—

(i) Insurance programs;

(ii) Pension plans;

(iii) Other deferred compensation plans; and

(iv) Related policies, procedures, practices, and costs; or

(2) Concentrates on specific areas of the contractor’s insurance programs, pension plans, or other deferred compensation plans.

(b) DCMA is the DoD Executive Agency for the performance of all CIPRs.

(c) DCAA is the DoD agency designated for the performance of contract audit responsibilities related to Cost Accounting Standards administration as described in FAR Subparts 30.2 and 30.6 as they relate to a contractor’s insurance programs, pension plans, and other deferred compensation plans.

(71 FR 9273, Feb. 23, 2006)

242.7302 Requirements.

(a)(1) An in-depth CIPR as described at DFARS 242.7301(a)(1) shall be conducted only when—

(i) A contractor has $50 million of qualifying sales to the Government during the contractor’s preceding fiscal year; and

(ii) The ACO, with advice from DCMA insurance/pension specialists and DCAA auditors, determines a CIPR is needed based on a risk assessment of the contractor’s past experience and current vulnerability.

(2) Qualifying sales are sales for which cost or pricing data were required under 10 U.S.C. 2306a, as implemented in FAR 15.403, or that are contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis. Sales include prime contracts, subcontracts, and modifications to such contracts and subcontracts.

(b) A special CIPR that concentrates on specific areas of a contractor’s insurance programs, pension plans, or other deferred compensation plans shall be performed for a contractor (including, but not limited to, a contractor meeting the requirements in paragraph (a) of this section) when any of the following circumstances exists, but only if the circumstance(s) may result in a material impact on Government contract costs:

(1) Information reveals a deficiency in the contractor’s insurance/pension program.

(2) The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.

(75 FR 71565, Nov. 24, 2010)

242.7303 Responsibilities.

Follow the procedures at PGI 242.7303 when conducting a CIPR.

(71 FR 9273, Feb. 23, 2006)
Subpart 242.74—Technical Representation at Contractor Facilities

242.7400 General.

(a) Program managers may conclude that they need technical representation in contractor facilities to perform non-contract administration service (CAS) technical duties and to provide liaison, guidance, and assistance on systems and programs. In these cases, the program manager may assign technical representatives under the procedures in 242.7401.

(b) A technical representative is a representative of a DoD program, project, or system office performing non-CAS technical duties at or near a contractor facility. A technical representative is not—

1. A representative of a contract administration or contract audit component; or

2. A contracting officer’s representative (see 201.602).

[70 FR 67921, Nov. 9, 2005]

242.7401 Procedures.

When the program, project, or system manager determines that a technical representative is required, follow the procedures at PGI 242.7401.

[70 FR 67921, Nov. 9, 2005]

Subpart 242.75—Contractor Accounting Systems and Related Controls

SOURCE: 76 FR 28870, May 18, 2011, unless otherwise noted.

242.7501 Definitions.

As used in this subpart—

Acceptable accounting system, and accounting system are defined in the clause at 252.242-7006, Accounting System Administration.

Significant deficiency is defined in the clause at 252.242-7006, Accounting System Administration.

242.7502 Policy.

(a) Contractors receiving cost-reimbursement, incentive type, time-and-materials, or labor-hour contracts, or contracts which provide for progress payments based on costs or on a percentage or stage of completion, shall maintain an accounting system.

(b) The cognizant contracting officer, in consultation with the auditor or functional specialist, shall—

1. Determine the acceptability of a contractor’s accounting system and approve or disapprove the system; and

2. Pursue correction of any deficiencies.

(c) In evaluating the acceptability of a contractor’s accounting system, the contracting officer, in consultation with the auditor or functional specialist, shall determine whether the contractor’s accounting system complies with the system criteria for an acceptable accounting system as prescribed in the clause at 252.242–7006, Accounting System Administration.

(d) Disposition of findings—(1) Reporting of findings. The auditor shall document findings and recommendations in a report to the contracting officer. If the auditor identifies any significant accounting system deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies. Follow the procedures at PGI 242.7502 for reporting of deficiencies.

2. Initial determination. (i) The contracting officer shall review findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor’s accounting system is acceptable and approved; or

(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.242–7006, Accounting System Administration) due to the contractor’s failure to meet one or more of the accounting system criteria in the clause at 252.242–7006, the contracting officer shall—

(A) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiency;

(B) Request the contractor to respond, in writing, to the initial determination within 30 days; and

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(C) Promptly evaluate the contractor’s response to the initial determination, in consultation with the auditor or functional specialist, and make a final determination.

(3) Final determination. (i) The contracting officer shall make a final determination and notify the contractor, in writing, that—

(A) The contractor’s accounting system is acceptable and approved, and no significant deficiencies remain, or

(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(I) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(2) Make a determination to disapprove the system in accordance with the clause at 252.242-7006, Accounting System Administration; and

(3) Withhold payments in accordance with the clause at 252.242-7005, Contractor Business Systems, if the clause is included in the contract.

(ii) Follow the procedures relating to monitoring a contractor’s corrective action and the correction of significant deficiencies in PGI 242.7502.

(e) System approval. The contracting officer shall promptly approve a previously disapproved accounting system and notify the contractor when the contracting officer determines that there are no remaining significant deficiencies.

(f) Contracting officer notifications. The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

(g) Mitigating the risk of accounting system deficiencies on specific proposals. (1) Field pricing teams shall discuss identified accounting system deficiencies and their impact in all reports on contractor proposals until the deficiencies are resolved. (2) The contracting officer responsible for negotiation of a proposal generated by an accounting system with an identified deficiency shall evaluate whether the deficiency impacts the negotiations. If it does not, the contracting officer should proceed with negotiations. If it does, the contracting officer should consider other alternatives, e.g.—

(i) Allowing the contractor additional time to correct the accounting system deficiency and submit a corrected proposal;

(ii) Considering another type of contract, e.g., a fixed-price incentive (firm target) contract instead of a firm-fixed-price;

(iii) Using additional cost analysis techniques to determine the reasonableness of the cost elements affected by the accounting system’s deficiency;

(iv) Segregating the questionable areas as a cost-reimbursable line item;

(v) Reducing the negotiation objective for profit or fee; or

(vi) Including a contract (reopener) clause that provides for adjustment of the contract amount after award.

(3) The contracting officer who incorporates a reopener clause into the contract is responsible for negotiating price adjustments required by the clause. Any reopener clause necessitated by an accounting system deficiency should—

(i) Clearly identify the amounts and items that are in question at the time of negotiation;

(ii) Indicate a specific time or subsequent event by which the contractor will submit a supplemental proposal, including cost or pricing data, identifying the cost impact adjustment necessitated by the deficient accounting system;

(iii) Provide for the contracting officer to adjust the contract price unilaterally if the contractor fails to submit the supplemental proposal; and

(iv) Provide that failure of the Government and the contractor to agree to the price adjustment shall be a dispute under the Disputes clause.
242.7503  Contract clause.

Use the clause at 252.242-7006, Accounting System Administration, in solicitations and contracts when contemplating—
(a) A cost-reimbursement, incentive type, time-and-materials, or labor-hour contract;
(b) A fixed-price contract with progress payments made on the basis of costs incurred by the contractor or on a percentage or stage of completion.]
Unpriced change orders shall include a not-to-exceed price.

[75 FR 48277, Aug. 10, 2010]

**Definitization schedule.**

(a) Unpriced change orders shall contain definitization schedules that provide for definitization by the earlier of—

(1) The date that is 180 days after issuance of the change order (this date may be extended but may not exceed the date that is 180 days after the contractor submits a qualifying proposal); or

(2) The date on which the amount of funds obligated under the change order is equal to more than 50 percent of the not-to-exceed price.

(b) Submission of a qualifying proposal in accordance with the definitization schedule is a material element of the contract. If the contractor does not submit a timely qualifying proposal, the contacting officer may suspend or reduce progress payments under FAR 32.503–6, or take other appropriate action.

[75 FR 48277, Aug. 10, 2010]

**Limitations on obligations.**

(a) The Government shall not obligate more than 50 percent of the not-to-exceed price before definitization. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, the limitation on obligations before definitization may be increased to no more than 75 percent (see 232.102–70 for coverage on provisional delivery payments).

(b) Obligations should be consistent with the contractor’s requirements for the undefinitized period.

[75 FR 48277, Aug. 10, 2010]

**Exceptions.**

(a) The limitations in 243.204–70–2, 243.204–70–3, and 243.204–70–4 do not apply to unpriced change orders for the purchase of initial spares.

(b) The limitations in 243.204–70–4(a) do not apply to unpriced change orders for ship construction and ship repair.

(c) The head of the agency may waive the limitations in 243.204–70–2, 243.204–70–3, and 243.204–70–4 for unpriced change orders if the head of the agency determines that the waiver is necessary to support—

(1) A contingency operation; or

(2) A humanitarian or peacekeeping operation.

[75 FR 48277, Aug. 10, 2010]

**Allowable profit.**

When the final price of an unpriced change order is negotiated after a substantial portion of the required performance has been completed, the head of the contracting activity shall ensure the profit allowed reflects—

(a) Any reduced cost risk to the contractor for costs incurred during contract performance before negotiation of the final price;

(b) The contractor’s reduced cost risk for costs incurred during performance of the remainder of the contract; and

(c) The extent to which costs have been incurred prior to definitization of the contract action (see 215.404–71–3(d)(2)). The risk assessment shall be documented in the contract file.

[75 FR 48277, Aug. 10, 2010]

**Plans and reports.**

To provide for enhanced management and oversight of unpriced change orders, departments and agencies shall—

(a) Include in the Consolidated Undefinitized Contract Action (UCA) Management Plan required by 217.7405, the actions planned and taken to ensure that unpriced change orders are definitized in accordance with this subsection; and

(b) Include in the Consolidated UCA Management Report required by 217.7405, each unpriced change order with an estimated value exceeding $5 million.

[75 FR 48277, Aug. 10, 2010]

**Certification of requests for equitable adjustment.**

(a) A request for equitable adjustment to contract terms that exceed the simplified acquisition threshold
may not be paid unless the contract certifies the request in accordance with the clause at 252.243–7002.

(b) To determine if the dollar threshold for requiring certification is met, add together the absolute value of each cost increase and each cost decrease. See PGI 243.204–70(b) for an example.

(c) The certification required by 10 U.S.C. 2410(a), as implemented in the clause at 252.243–7002, is different from the certification required by the Contract Disputes Act of 1978 (41 U.S.C. 7103). If the contractor has certified a request for equitable adjustment in accordance with 10 U.S.C. 2410(a), and desires to convert the request to a claim under the Contract Disputes Act, the contractor shall certify the claim in accordance with FAR Subpart 33.2.


243.205 Contract clauses.

243.205–70 Pricing of contract modifications.

Use the clause at 252.243–7001, Pricing of Contract Modifications, in solicitations and contracts when anticipating and using a fixed price type contract.


243.205–71 Requests for equitable adjustment.

Use the clause at 252.243–7002, Requests for Equitable Adjustment, in solicitations and contracts estimated to exceed the simplified acquisition threshold.


243.205–72 Unpriced change orders.

See the clause prescriptions at 217.7406 for all unpriced change orders with an estimated value exceeding $5 million.

[75 FR 48278, Aug. 10, 2010]

PART 244—SUBCONTRACTING POLICIES AND PROCEDURES

SUBPART 244.1—GENERAL

244.101 Definitions
Defense Acquisition Regulations System, DOD 244.305–70

Subpart 244.3—Contractors' Purchasing Systems Reviews

244.301 Objective.
The administrative contracting officer (ACO) is solely responsible for initiating reviews of the contractor’s purchasing systems, but other organizations may request that the ACO initiate such reviews.

[70 FR 67922, Nov. 9, 2005]

244.303 Extent of review.
Also review the adequacy of rationale documenting commercial item determinations to ensure compliance with the definition of “commercial item” in FAR 2.101.

[67 FR 38023, May 31, 2002]

244.305 Granting, withholding, or withdrawing approval.

244.305–70 Policy.
Use this subsection instead of FAR 44.305–2(c) and 44.305–3(b).
(a) The cognizant contracting officer, in consultation with the purchasing system analyst or auditor, shall—
(1) Determine the acceptability of the contractor’s purchasing system and approve or disapprove the system; and
(2) Pursue correction of any deficiencies.
(b) In evaluating the acceptability of the contractor’s purchasing system, the contracting officer, in consultation with the purchasing system analyst or auditor, shall determine whether the contractor’s purchasing system complies with the system criteria for an acceptable purchasing system as prescribed in the clause at 252.244–7001, Contractor Purchasing System Administration.
(c) Disposition of findings—(1) Reporting of findings. The purchasing system analyst or auditor shall document findings and recommendations in a report to the contracting officer. If the auditor or purchasing system analyst identifies any significant purchasing system deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.
(2) Initial determination. (i) The contracting officer shall review all findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor that the contractor’s purchasing system is acceptable and approved; or
(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.244–7001, Contractor Purchasing System Administration) due to the contractor’s failure to meet one or more of the purchasing system criteria in the clause at 252.244–7001, the contracting officer shall—
(A) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiency;
(B) Request the contractor to respond, in writing, to the initial determination within 30 days; and
(C) Evaluate the contractor’s response to the initial determination in consultation with the auditor or purchasing system analyst, and make a final determination.
(3) Final determination. (i) The contracting officer shall make a final determination and notify the contractor, in writing, that—
(A) The contractor’s purchasing system is acceptable and approved, and no significant deficiencies remain, or
(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—
(I) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;
(2) Disapprove the system in accordance with the clause at 252.244–7001, Contractor Purchasing System Administration; and
(3) Withhold payments in accordance with the clause at 252.242–7005, Contractor Business Systems, if the clause is included in the contract.
(ii) Follow the procedures relating to monitoring a contractor’s corrective
action and the correction of significant deficiencies in PGI 244.305–70.

(d) **System approval.** The contracting officer shall promptly approve a previously disapproved purchasing system and notify the contractor when the contracting officer determines that there are no remaining significant deficiencies.

(e) **Contracting officer notifications.** The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

(f) **Mitigating the risk of purchasing system deficiencies on specific proposals.**

1. Source selection evaluation teams shall discuss identified purchasing system deficiencies and their impact in all reports on contractor proposals until the deficiencies are resolved.

2. The contracting officer responsible for negotiation of a proposal generated by a purchasing system with an identified deficiency shall evaluate whether the deficiency impacts the negotiations. If it does not, the contracting officer should proceed with negotiations. If it does, the contracting officer should consider other alternatives, e.g.—

   i. Allowing the contractor additional time to correct the purchasing system deficiency and submit a corrected proposal;

   ii. Considering another type of contract, e.g., a fixed-price incentive (firm target) contract instead of firm-fixed-price;

   iii. Using additional cost analysis techniques to determine the reasonableness of the cost elements affected by the purchasing system’s deficiency;

   iv. Segregating the questionable areas as a cost-reimbursable line item;

   v. Reducing the negotiation objective for profit or fee; or

   vi. Including a contract (reopener) clause that provides for adjustment of the contract amount after award.

3. The contracting officer who incorporates a reopener clause into the contract is responsible for negotiating price adjustments required by the clause. Any reopener clause necessitated by a purchasing system deficiency should—

   i. Clearly identify the amounts and items that are in question at the time of negotiation;

   ii. Indicate a specific time or subsequent event by which the contractor will submit a supplemental proposal, including cost or pricing data, identifying the cost impact adjustment necessitated by the deficient purchasing system;

   iii. Provide for the contracting officer to adjust the contract price unilaterally if the contractor fails to submit the supplemental proposal; and

   iv. Provide that failure of the Government and the contractor to agree to the price adjustment shall be a dispute under the Disputes clause.

76 FR 28871, May 18, 2011

**244.305–71 Contract clause.** Use the clause at 252.244–7001, Contractor Purchasing System Administration, in solicitations and contracts containing the clause at FAR 52.244–2, Subcontracts.

76 FR 28871, May 18, 2011

**Subpart 244.4—Subcontracts for Commercial Items and Commercial Components**

244.402 **Policy requirements.**

(a) Contractors shall determine whether a particular subcontract item meets the definition of a commercial item. This requirement does not affect the contracting officer’s responsibilities or determinations made under FAR 15.403–1(c)(3). Contractors are expected to exercise reasonable business judgment in making such determinations, consistent with the guidelines for conducting market research in FAR part 10.

67 FR 38023, May 31, 2002

244.403 **Contract clause.**
Defense Acquisition Regulations System, DOD

(1) 252.225–7009, Restriction on Acquisition of Certain Articles Containing Specialty Metals.

[74 FR 52896, Oct. 15, 2009]

PART 245—GOVERNMENT PROPERTY

Subpart 245.1—General

Sec.
245.101 Definitions.
245.102 Policy.
245.103 General.
245.105 Contractor’s property management system compliance.
245.107 Contract clause.

Subpart 245.2—Solicitation and Evaluation Procedures

245.201 Solicitation.
245.201–70 Definitions.
245.201–71 GFP attachments to solicitations and awards.
245.201–72 Contracting office responsibilities.
245.201–73 Security classification.

Subpart 245.3—Authorizing the Use and Rental of Government Property

245.302 Contracts with foreign governments or international organizations.

Subpart 245.4—Title to Government Property

245.402 Title to contractor-acquired property.
245.402–70 Policy.
245.402–71 Delivery of contractor-acquired property.

Subpart 245.5—Support Government Property Administration

245.570 Storage at the Government’s expense.

Subpart 245.6—Reporting, Reutilization, and Disposal

245.602 Reutilization of Government property.
245.602–1 Inventory disposal schedules.
245.602–3 Screening.
245.602–70 Plant clearance procedures.
245.604 Disposal of surplus property.
245.604–3 Sale of surplus property.

Subpart 245.70—Plant Clearance Forms

245.7001–1 Standard Form 97, Certificate of Release of a Motor Vehicle (Agency Record Copy).
245.7001–2 DD Form 1149, Requisition and Invoice Shipping Document.
245.7001–4 DD Form 1640, Request for Plant Clearance.
245.7001–5 DD Form 1641, Disposal Determination Approval.
245.7001–6 Defense Logistics Agency Form 1822, End Use Certificate.


SOURCE: 56 FR 36448, July 31, 1991, unless otherwise noted.

Subpart 245.1—General

SOURCE: 74 FR 37647, July 29, 2009, unless otherwise noted.

245.101 Definitions.

Mapping, charting, and geodesy property, as used in this subpart, is defined in the clause at 252.245–7000, Government-Furnished Mapping, Charting, and Geodesy Property.

245.102 Policy.

(See the policy guidance at PGI 245.102–70.)

(1) Mapping, charting, and geodesy property. All Government-furnished mapping, charting, and geodesy (MC&G) property is under the control of the Director, National Geospatial Intelligence Agency.

(i) MC&G property shall not be duplicated, copied, or otherwise reproduced for purposes other than those necessary for contract performance.

(ii) Upon completion of contract performance, the contracting officer shall—

(A) Contact the Director, National Geospatial Intelligence Agency, 4600 Sangamore Road, Bethesda, MD 20816–5003, for disposition instructions;

(B) Direct the contractor to destroy or return all Government-furnished MC&G property not consumed during contract performance; and

(C) Specify the destination and means of shipment for property to be returned to the Government.

(2) Government supply sources. When a contractor will be responsible for preparing requisitioning documentation to
acquire Government-furnished property from Government supply sources. Include in the contract the requirement to prepare the documentation in accordance with DoD 4000.25–1–M, Military Standard Requisitioning and Issue Procedures (MILSTRIP). Copies are available from the address cited at PGI 251.102.

(3) Acquisition and management of industrial resources. See Subpart 237.75 for policy relating to facilities projects.

(4) Government-furnished property identification.
   
   (i) It is DoD policy that Government-furnished property be tagged, labeled, or marked based on DoD marking standards (MILStandard 130) or other standards, when the requiring activity determines that such items are subject to serialized item management (serially-managed items). The list of Government-furnished property subject to serialized item management will be identified in the contract in accordance with PGI 245.201–71, GFP attachments to solicitations and awards.

   (ii) Exceptions. The Contractor will not be required to tag, label, or mark—
      
      (A) Government-furnished property that was previously tagged, labeled, or marked;
      
      (B) Items, as determined by the head of the agency, that are to be used to support a contingency operation; or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack;
      
      (C) Items for which a determination and findings has been executed concluding that it is more cost effective for the Government requiring activity to assign, mark, and register the unique item identification after delivery of an item acquired from a small business concern or a commercial item acquired under FAR part 12 or part 8.

   (D) Items that are contractor-acquired property;
      
      (E) Property under any statutory leasing authority;
      
      (F) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments;
      
      (G) Intellectual property or software; or
      
      (H) Real property.


245.103 General.

(1) Follow the procedures at PGI 245.103–70 for furnishing Government property to contractors.

(2) Follow the procedures at PGI 245.103–71 for transferring Government property accountability.

(76 FR 3537, Jan. 20, 2011)

245.105 Contractors’ property management system compliance.

(a) Definitions—

(1) Acceptable property management system and property management system are defined in the clause at 252.245–7003, Contractor Property Management System Administration.

(2) Significant deficiency is defined in the clause at 252.245–7003, Contractor Property Management System Administration.

(b) Policy. The cognizant contracting officer, in consultation with the property administrator, shall—

(1) Determine the acceptability of the system and approve or disapprove the system; and

(2) Pursue correction of any deficiencies.
(c) In evaluating the acceptability of a contractor's property management system, the contracting officer, in consultation with the property administrator, shall determine whether the contractor's property management system complies with the system criteria for an acceptable property management system as prescribed in the clause at 252.245-7003, Contractor Property Management System Administration.

(d) Disposition of findings—(1) Reporting of findings. The property administrator shall document findings and recommendations in a report to the contracting officer. If the property administrator identifies any significant property system deficiencies, the report shall describe the deficiencies in sufficient detail to allow the contracting officer to understand the deficiencies.

(2) Initial determination. (i) The contracting officer shall review findings and recommendations and, if there are no significant deficiencies, shall promptly notify the contractor, in writing, that the contractor's property management system is acceptable and approved; or

(ii) If the contracting officer finds that there are one or more significant deficiencies (as defined in the clause at 252.245-7003, Contractor Property Management System Administration) due to the contractor's failure to meet one or more of the property management system criteria in the clause at 252.245-7003, the contracting officer shall—

(A) Promptly make an initial written determination on any significant deficiencies and notify the contractor, in writing, providing a description of each significant deficiency in sufficient detail to allow the contractor to understand the deficiency;

(B) Request the contractor to respond, in writing, to the initial determination within 30 days and;

(C) Evaluate the contractor's response to the initial determination, in consultation with the property administrator, and make a final determination.

(3) Final determination. (i) The contracting officer shall make a final determination and notify the contractor, in writing, that—

(A) The contractor's property management system is acceptable and approved, and no significant deficiencies remain, or

(B) Significant deficiencies remain. The notice shall identify any remaining significant deficiencies, and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(I) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies;

(2) Disapprove the system in accordance with the clause at 252.245-7003, Contractor Property Management System Administration; and

(3) Withhold payments in accordance with the clause at 252.242-7005, Contractor Business Systems, if the clause is included in the contract.

(ii) Follow the procedures relating to monitoring a contractor's corrective action and the correction of significant deficiencies in PGI 245.105.

(e) System approval. The contracting officer shall promptly approve a previously disapproved property management system and notify the contractor when the contracting officer determines, in consultation with the property administrator, that there are no remaining significant deficiencies.

(f) Contracting officer notifications. The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

(76 FR 28872, May 18, 2011)

245.107 Contract clauses.

(a) Use the clause at 252.245-7000, Government-Furnished Mapping, Charting, and Geodesy Property, in solicitations and contracts when mapping, charting, and geodesy property is to be furnished.
(b) Use the clause at 252.245–7001, Tagging, Labeling, and Marking of Government-Furnished Property, in solicitations and contracts that contain the clause at FAR 52.245–1, Government Property.

(c) Use the clause at 252.245–7002, Reporting Loss of Government Property, in solicitations and contracts that contain the clause at FAR 52.245–1, Government Property.

(d) Use the clause at 252.245–7003, Contractor Property Management System Administration, in solicitations and contracts that contain the clause at FAR 52.245–1, Government Property.

(e) Use the clause at 252.245–7004, Report, Reutilization, and Disposal, in solicitations and contracts that contain the clause at FAR 52.245–1, Government Property.


Subpart 245.2—Solicitation and Evaluation Procedures

SOURCE: 76 FR 3537, Jan. 20, 2011, unless otherwise noted.

245.201 Solicitation.

245.201–70 Definitions.

See the definitions at PGI 245.201–70.

245.201–71 GFP attachments to solicitations and awards.

See PGI 245.201–71 for procedures for preparing GFP attachments to solicitations and awards.

245.201–72 Contracting office responsibilities.

See PGI 245.201–72 for contracting office responsibilities.

245.201–73 Security classification.

Follow the procedures at PGI 245.201–73 for security classification.

Subpart 245.3—Authorizing the Use and Rental of Government Property

SOURCE: 74 FR 37647, July 29, 2009, unless otherwise noted.

245.302 Contracts with foreign governments or international organizations.

(1) General.

(i) Approval. A contractor may use Government property on work for foreign governments and international organizations only when approved in writing by the contracting officer having cognizance of the property. The contracting officer may grant approval, provided—

(A) The use will not interfere with foreseeable requirements of the United States;

(B) The work is undertaken as a DoD foreign military sale; or

(C) For a direct commercial sale, the foreign country or international organization would be authorized to contract with the department concerned under the Arms Export Control Act.

(ii) Use charges.

(A) The Use and Charges clause is applicable on direct commercial sales to foreign governments or international organizations.

(B) When a particular foreign government or international organization has funded the acquisition of property, do not assess the foreign government or international organization rental charges or nonrecurring recoupments for the use of such property.

(2) Special tooling and special test equipment.

(i) DoD normally recovers a fair share of nonrecurring costs of special tooling and special test equipment by including these costs in its calculation of the nonrecurring cost recoupment charge when major defense equipment is sold by foreign military sales or direct commercial sales to foreign governments or international organizations. “Major defense equipment” is defined in DoD Directive 2140.2, Recoupment of Nonrecurring Costs on Sales of U.S. Items, as any item of significant military equipment on the United States Munitions List having a nonrecurring research, development, test, and evaluation cost of more than $50 million or a total production cost of more than $200 million.

(ii) When the cost thresholds in paragraph (2)(i) of this section are not met, the contracting officer shall assess rental charges for use of special tooling
and special test equipment pursuant to the Use and Charges clause if administratively practicable.

(3) Waivers.

(i) Rental charges for use of U.S. production and research property on commercial sales transactions to the Government of Canada are waived for all commercial contracts. This waiver is based on an understanding wherein the Government of Canada has agreed to waive its rental charges.

(ii) Requests for waiver or reduction of charges for the use of Government property on work for foreign governments or international organizations shall be submitted to the contracting officer, who shall refer the matter through contracting channels. In response to these requests, approvals may be granted only by the Director, Defense Security Cooperation Agency, for particular sales that are consistent with paragraph (1)(i)(C) of this section.

Subpart 245.6—Reporting, Reutilization, and Disposal

SOURCE: 76 FR 52142, Aug. 19, 2011, unless otherwise noted.

245.602 Reutilization of Government property.

245.602–1 Inventory disposal schedules.

For termination inventory, plant clearance officers shall verify inventory schedules, either directly or through appropriate technical personnel, to determine whether schedules include property that—

(i) Is appropriate for use on the contract; or

(ii) Exceeds the quantity required for completion of the contract, but could be diverted to other commercial work or Government use.

(2) Review the contractor’s—

(i) Recent purchases of similar material;

(ii) Plans for current and scheduled production;

(iii) Stock record entries; and

(iv) Bills of material for similar items.

(b) Quantity. Take measures to provide assurance that available inventory is in accordance with quantities listed on the inventory schedules. Quantities may be verified by actual item count, acceptance of labeled quantities in unopened/sealed packages, scale counts, or other appropriate methods.

(c) Condition. Ensure that the physical condition of the property is reasonably consistent with the Federal Condition Code supplied by the contractor.

245.602–3 Screening.

Property will be screened DoD-wide, including the contracting agency, requiring agency, and, as appropriate, the General Services Administration. The requiring agency shall have priority for retention of listed items. All required screening must be completed.
before any sale of contractor inventory, including contractor inventory in overseas locations (foreign excess personal property) can take place. Upon request of the prospective reutilization, transfer, donation, or sales customer, the plant clearance officer shall arrange for inspection of property at the contractor’s plant in such a manner as to avoid interruption of the contractor’s operations, and consistent with any security requirements.

245.602–70 Plant clearance procedures.

Follow the procedures at PGI 245.602–70 for establishing and processing a plant clearance case.

245.604 Disposal of surplus property.

245.604–3 Sale of surplus property.

(a) Plant clearance officers shall determine a best value sales approach (formal or informal sales), to include due consideration for costs, risks, and benefits, e.g., potential sales proceeds.

(b) Informal bid procedures. The plant clearance officer may direct the contractor to issue informal invitations for bid (orally, telephonically, or by other informal media), provided—

(1) Maximum practical competition is obtained;
(2) Sources solicited are recorded; and
(3) Informal bids are confirmed in writing.

(c) Sale approval and award. Plant clearance officers shall—

(1) Evaluate bids to establish that the sale price is fair and reasonable, taking into consideration—

(i) Knowledge or tests of the market; (ii) Current published prices for the property; (iii) The nature, condition, quantity, and location of the property; and (iv) Past sale history for like or similar items;

(2) Approve award to the responsible bidder whose bid is most advantageous to the Government. The plant clearance officer shall not approve award to any bidder who is an ineligible transferee, as defined in 252.245–7004, Reporting, Reutilization, and Disposal; and

(3) Notify the contractor of the bidder to whom an award will be made within five working days from receipt of bids.

(d) Noncompetitive sales.

(1) Noncompetitive sales include purchases or retention at less than cost by the contractor. Noncompetitive sales may be made when—

(i) The plant clearance officer determines that this method is essential to expeditious plant clearance; and

(ii) The Government’s interests are adequately protected.

(2) Noncompetitive sales shall be at fair and reasonable prices, not less than those reasonably expected under competitive sales.

(3) Conditions justifying noncompetitive sales are—

(i) No acceptable bids are received under competitive sale;
(ii) Anticipated sales proceeds do not warrant competitive sale;
(iii) Specialized nature of the property would not create bidder interest;
(iv) Removal of the property would reduce its value or result in disproportionate handling expenses; or
(v) Such action is essential to the Government’s interests.

(e) Plant clearance officers shall consider any special disposal requirements such as demilitarization or trade security control requirements in accordance with DoDM 4160.28–M, Defense Demilitarization Manual, and DoDI 2030.08, Implementation of Trade Security Controls, respectively (See PGI 245.6.)

Subpart 245.70—Plant Clearance Forms

245.7001 Forms.

Use the forms listed below in performance of plant clearance actions.

245.7001–1 Standard Form 97, Certificate of Release of a Motor Vehicle (Agency Record Copy).

Use for transfers, donations, and sales of motor vehicles. The contracting officer shall execute the SF 97 and furnish it to the purchaser.

245.7001–2 DD Form 1149, Requisition and Invoice Shipping Document.

Use for transfer and donation of contractor inventory.
Defense Acquisition Regulations System, DOD 246.102


Use when authorized by the plant clearance officer.

245.7001–4 DD Form 1640, Request for Plant Clearance.

Use to request plant clearance assistance or transfer plant clearance.

245.7001–5 DD Form 1641, Disposal Determination/Approval.

Use to record rationale for the following disposal determinations:
(a) Downgrade useable property to scrap.
(b) Abandonment or destruction.
(c) Noncompetitive sale of surplus property.
(d) Other disposal actions.

245.7001–6, DD Form 1822, End Use Certificate.

Use when directed by the plant clearance officer.

PART 246—QUALITY ASSURANCE

Subpart 246.1—General

Sec.
246.101 Definitions.
246.102 Policy.
246.103 Contracting office responsibilities.

Subpart 246.2—Contract Quality Requirements

246.202 Types of contract quality requirements.
246.202–4 Higher-level contract quality requirements.
246.270 Safety of facilities, infrastructure, and equipment for military operations.
246.270–1 Scope.
246.270–2 Policy.
246.270–3 Exceptions.
246.270–4 Contract clause.

Subpart 246.3—Contract Clauses

246.370 Material inspection and receiving report.
246.371 Notification of potential safety issues.

Subpart 246.4—Government Contract Quality Assurance

246.401 General.
246.402 Government contract quality assurance at source.

246.404 Government contract quality assurance for acquisitions at or below the simplified acquisition threshold.
246.406 Foreign governments.
246.407 Nonconforming supplies or services.
246.408 Single-agency assignments of Government contract quality assurance.
246.408–70 Subsistence.
246.408–71 Aircraft.
246.470 Government contract quality assurance actions.
246.470–1 Assessment of additional costs.
246.470–2 Quality evaluation data.
246.471 Authorizing shipment of supplies.
246.472 Inspection stamping.

Subpart 246.5—Acceptance

246.504 Certificate of conformance.

Subpart 246.6—Material Inspection and Receiving Reports

246.601 General.

Subpart 246.7—Warranties

246.701 Definitions as used in this subpart.
246.704 Authority for use of warranties.
246.705 Limitations.
246.706 Warranty terms and conditions.
246.708 Warranties of data.
246.710 Solicitation provision and contract clauses.
246.710–70 Warranty attachment.


Source: 56 FR 36460, July 31, 1991, unless otherwise noted.

Subpart 246.1—General

246.101 Definitions.

Discipline Working Group, as used in this subpart, is defined in the clause at 252.246–7004, Safety of Facilities, Infrastructure, and Equipment for Military Operations.

[75 FR 66685, Oct. 29, 2010]

246.102 Policy.

Departments and agencies shall also—
(1) Develop and manage a systematic, cost-effective Government contract quality assurance program to ensure that contract performance conforms to specified requirements. Apply Government quality assurance to all contracts for services and products designed, developed, purchased, produced, stored, distributed, operated, maintained, or disposed of by contractors.
(2) Conduct quality audits to ensure the quality of products and services meet contractual requirements.
(3) Base the type and extent of Government contract quality assurance actions on the particular acquisition.
(4) Provide contractors the maximum flexibility in establishing efficient and effective quality programs to meet contractual requirements. Contractor quality programs may be modeled on military, commercial, national, or international quality standards.

Subpart 246.2—Contract Quality Requirements

246.202 Types of contract quality requirements.

246.202–4 Higher-level contract quality requirements.

(a) Higher-level contract quality requirements are used in addition to a standard inspection requirement.
(b) Higher-level contract quality requirements, including nongovernment quality system standards adopted to meet DoD needs, are listed in the DoD Index of Specifications and Standards.

Subpart 246.3—Contracting Office Responsibilities

246.302 Contracting office responsibilities.

(a) The contracting office must coordinate with the quality assurance activity before changing any quality requirement.
(b) The activity responsible for technical requirements may prepare instructions covering the type and extent of Government inspections for acquisitions that are complex, have critical applications, or have unusual requirements. Follow the procedures at PGI 246.103(3) for preparation of instructions.

[75 FR 66685, Oct. 29, 2010]

246.270 Safety of facilities, infrastructure, and equipment for military operations.

246.270–1 Scope.

This section implements section 807 of the National Defense Authorization Act for Fiscal Year 2010 (Pub. L. 111–84). It establishes policies and procedures intended to ensure the safety and habitability of facilities, infrastructure, and equipment acquired for use by DoD military or civilian personnel during military operations performed outside the United States, Guam, Puerto Rico, and the Virgin Islands.

246.270–2 Policy.

(a) Contracts (including task and delivery orders) for the construction, installation, repair, maintenance, or operation of facilities, infrastructure, and equipment configured for occupancy, including but not limited to, existing host nation facilities, new construction, and relocatable buildings acquired for use by DoD military or civilian personnel, shall require a pre-occupancy safety and habitability inspection.

(b) To minimize safety and health risks, each contract covered by this policy shall require the contractor’s compliance with the Unified Facilities Criteria (UFC) 1–200–01 and its referenced standards for—
   (1) Fire protection;
   (2) Structural integrity;
   (3) Electrical systems;
   (4) Plumbing;
   (5) Water treatment;
   (6) Waste disposal; and
   (7) Telecommunications networks.

(c) Existing host nation facilities constructed to standards equivalent to or more stringent than UFC 1–200–01 are acceptable upon a written determination of the acceptability of the standards by the Discipline Working Group.

(d) Inspections to ensure compliance with UFC 1–200–01 standards shall be conducted in accordance with the inspection clause of the contract.
246.270–3 Exceptions.
The combatant commander may waive compliance with the foregoing standards when it is impracticable to comply with such standards under prevailing operational conditions.
[75 FR 66685, Oct. 29, 2010]

246.270–4 Contract clause.
Use the clause at 252.246–7004, Safety of Facilities, Infrastructure, and Equipment for Military Operations, in solicitations and contracts for the construction, installation, repair, maintenance, or operation of facilities, infrastructure, or for equipment configured for occupancy, planned for use by DoD military or civilian personnel during military operations.
[75 FR 66685, Oct. 29, 2010]

Subpart 246.3—Contract Clauses

246.370 Material inspection and receiving report.
(a) Use the clause at 252.246–7000, Material Inspection and Receiving Report, in solicitations and contracts when there will be separate and distinct deliverables, even if the deliverables are not separately priced.
(b) When contract administration is retained by the contracting office, the clause at 252.246–7000, Material Inspection and Receiving Report, is not required for—
(1) Contracts awarded using simplified acquisition procedures;
(2) Negotiated subsistence contracts;
(3) Contracts for fresh milk and related fresh dairy products;
(4) Contracts for which the deliverable is a scientific or technical report;
(5) Research and development contracts not requiring the delivery of separately priced end items;
(6) Base, post, camp, or station contracts;
(7) Contracts in overseas areas when the preparation and distribution of the DD Form 250, Material Inspection and Receiving Report, by the contractor would not be practicable. In these cases, arrange for the contractor to provide the information necessary for the contracting office to prepare the DD Form 250;
(8) Contracts for services when hardware is not acquired as an item in the contract; and
(9) Indefinite delivery type contracts placed by central contracting offices which authorize only base, post, camp, or station activities to issue orders.

246.371 Notification of potential safety issues.
(a) Use the clause at 252.246–7003, Notification of Potential Safety Issues, in solicitations and contracts for the acquisition of—
(1) Repairable or consumable parts identified as critical safety items;
(2) Systems and subsystems, assemblies, and subassemblies integral to a system; or
(3) Repair, maintenance, logistics support, or overhaul services for systems and subsystems, assemblies, subassemblies, and parts integral to a system.
(b) Follow the procedures at PGI 246.371 for the handling of notifications received under the clause at 252.246–7003.
[72 FR 2636, Jan. 22, 2007]

Subpart 246.4—Government Contract Quality Assurance

246.401 General.
The requirement for a quality assurance surveillance plan shall be addressed and documented in the contract file for each contract except for those awarded using simplified acquisition procedures. For contracts for services, the contracting officer should prepare a quality assurance surveillance plan to facilitate assessment of contractor performance, see 237.172. For contracts for supplies, the contracting officer should address the need for a quality assurance surveillance plan.
[75 FR 22706, Apr. 30, 2010]

246.402 Government contract quality assurance at source.
Do not require Government contract quality assurance at source for contracts or delivery orders valued below $300,000, unless—
(1) Mandated by DoD regulation;
246.404 Government contract quality assurance for acquisitions at or below the simplified acquisition threshold.

Do not require Government contract quality assurance at source for contracts or delivery orders valued at or below the simplified acquisition threshold unless the criteria at 246.402 have been met.

[70 FR 8543, Feb. 22, 2005]

246.406 Foreign governments.


(A) Contains the processes, procedures, terms, and conditions under which one NATO member nation will perform quality assurance for another NATO member nation or NATO organization;

(B) Standardizes the development, updating, and application of the Allied Quality Assurance Publications; and

(C) Has been ratified by the United States and other nations in NATO with certain reservations identified in STANAG 4107.

(ii) Departments and agencies shall follow STANAG 4107 when—

(A) Asking a NATO member nation to perform quality assurance; or

(B) Performing quality assurance when requested by a NATO member nation or NATO organization.

(2) International military sales (non-NATO). Departments and agencies shall—

(i) Perform quality assurance services on international military sales contracts or in accordance with existing agreements;

(ii) Inform host or U.S. Government personnel and contractors on the use of quality assurance publications; and

(iii) Delegate quality assurance to the host government when satisfactory services are available.

(3) Reciprocal quality assurance agreements. A Memorandum of Understanding (MOU) with a foreign country may contain an annex that provides for the reciprocal performance of quality assurance services. MOUs should be checked to determine whether such an annex exists for the country where a defense contract will be performed. (See subpart 225.8 for more information about MOUs.)


246.407 Nonconforming supplies or services.

(f) If nonconforming material or services are discovered after acceptance, the defect appears to be the fault of the contractor, any warranty has expired, and there are no other contractual remedies, the contracting officer—

(i) Shall notify the contractor in writing of the nonconforming material or service;

(ii) Shall request that the contractor repair or replace the material, or perform the service, at no cost to the Government; and

(iii) May accept consideration if offered. For guidance on solicitation of a refund, see subpart 242.71.

(S–70) The head of the design control activity is the approval authority for
acceptance of any nonconforming aviation or ship critical safety items or nonconforming modification, repair, or overhaul of such items (see 209.270). Authority for acceptance of minor nonconformances in aviation or ship critical safety items may be delegated as determined appropriate by the design control activity. See additional information at PGI 246.407.


246.408 Single-agency assignments of Government contract quality assurance.

246.408–70 Subsistence.

(a) The Surgeons General of the military departments are responsible for—

(1) Acceptance criteria;
(2) Technical requirements; and
(3) Inspection procedures needed to assure wholesomeness of foods.

(b) The contracting office may designate any Federal activity, capable of assuring wholesomeness and quality in food, to perform quality assurance for subsistence contract items. The designation may—

(1) Include medical service personnel of the military departments; and
(2) Be on a reimbursable basis.

246.408–71 Aircraft.

(a) The Federal Aviation Administration (FAA) has certain responsibilities and prerogatives in connection with some commercial aircraft and of aircraft equipment and accessories (Pub. L. 85–726 (72 Stat. 776, 49 U.S.C. 1423)). This includes the issuance of various certificates applicable to design, manufacture, and airworthiness.

(b) FAA evaluations are not a substitute for normal DoD evaluations of the contractor’s quality assurance measures. Actual records of FAA evaluations may be of use to the contract administration office (CAO) and should be used to their maximum advantage.

(c) The CAO shall ensure that the contractor possesses any required FAA certificates prior to acceptance.

[56 FR 36460, July 31, 1991, as amended at 71 FR 27647, May 12, 2006]
them for shipment. This is done for both prime and subcontracts.

(2) An alternative procedure (see paragraph (b) of this section) permits the contractor to assume the responsibility for releasing the supplies for shipment.

(3) The alternative procedure may include prime contractor release of supplies inspected at a subcontractor’s facility.

(4) The use of the alternative procedure releases DoD manpower to perform technical functions by eliminating routine signing or stamping of the papers accompanying each shipment.

(b) Alternative Procedures—Contract Release for Shipment. (1) The contract administration office may authorize, in writing, the contractor to release supplies for shipment when—

(i) The stamping or signing of the shipping papers by a representative of the contract administration office interferes with the operation of the Government contract quality assurance program or takes too much of the Government representative’s time;

(ii) There is sufficient continuity of production to permit the Government to establish a systematic and continuing evaluation of the contractor’s control of quality; and

(iii) The contractor has a record of satisfactory quality, including that pertaining to preparation for shipment.

(2) The contract administration office shall withdraw, in writing, the authorization when there is an indication that the conditions in paragraph (b)(1) of this subsection no longer exist.

(3) When the alternative procedure is used, require the contractor to—

(i) Type or stamp, and sign, the following statement on the required copy or copies of the shipping paper(s), or on an attachment—

The supplies in this shipment—

1. Have been subjected to and have passed all examinations and tests required by the contract;

2. Were shipped in accordance with authorized shipping instructions;

3. Conform to the quality, identity, and condition called for by the contract; and

4. Are of the quantity shown on this document.

This shipment was—

1. Released in accordance with section 246.471 of the Defense FAR Supplement; and

2. Authorized by (name and title of the authorized representative of the contract administration office) in a letter dated (date of authorizing letter). (Signature and title of contractor’s designated official.)

(ii) Release and process, in accordance with established instructions, the DD Form 250, Material Inspection and Receiving Report, or other authorized receiving report.

246.472 Inspection stamping.

(a) DoD quality inspection approval marking designs (stamps) may be used for both prime contracts and subcontracts. Follow the procedures at PGI 246.472(a) for use of DoD inspection stamps.

(b) Policies and procedures regarding the use of National Aeronautics and Space Administration (NASA) quality status stamps are contained in NASA publications. When requested by NASA centers, the DoD inspector shall use NASA quality status stamps in accordance with current NASA requirements.

[71 FR 27647, May 12, 2006]

Subpart 246.5—Acceptance

246.504 Certificate of conformance.

Before authorizing a certificate of conformance for aviation or ship critical safety items, obtain the concurrence of the head of the design control activity (see 209.270).

[73 FR 1828, Jan. 10, 2008]

Subpart 246.6—Material Inspection and Receiving Reports

246.601 General.

See Appendix F, Material Inspection and Receiving Report, for procedures and instructions for the use, preparation, and distribution of—

(1) The Material Inspection and Receiving Report (DD Form 250 series); and

(2) Supplier’s commercial shipping/packing lists used to evidence Government contract quality assurance.

[71 FR 27647, May 12, 2006]
Defense Acquisition Regulations System, DOD

Subpart 246.7—Warranties

246.701 Definitions as used in this subpart.

Acceptance as used in this subpart and in the warranty clauses at FAR 52.246–17, Warranty of Supplies of a Noncomplex Nature; FAR 52.246–18, Warranty of Supplies of a Complex Nature; FAR 52.246–19, Warranty of Systems and Equipment Under Performance Specifications or Design Criteria; and FAR 52.246–20, Warranty of Services, includes the execution of an official document (e.g., DD Form 250, Material Inspection and Receiving Report) by an authorized representative of the Government.

Defect means any condition or characteristic in any supply or service furnished by the contractor under the contract that is not in compliance with the requirements of the contract.

Duration, enterprise, enterprise identifier, fixed expiration, issuing agency, item type, starting event, serialized item, unique item identifier, usage, warranty administrator, warranty guarantor, warranty repair source, and warranty tracking are defined in the clause at 252.246–7006, Warranty Tracking of Serialized Items.

[76 FR 33168, June 8, 2011]

246.704 Authority for use of warranties.

(1) The chief of the contracting office must approve use of a warranty, except in acquisitions for—

(i) Commercial items (see FAR 46.709);

(ii) Technical data, unless the warranty provides for extended liability (see 246.708);

(iii) Supplies and services in fixed-price type contracts containing quality assurance provisions that reference higher-level contract quality requirements (see 246.202–4); or

(iv) Supplies and services in construction contracts when using the warranties that are contained in Federal, military, or construction guide specifications.

(2) The chief of the contracting office shall approve the use of a warranty only when the benefits are expected to outweigh the cost.

[71 FR 27647, May 12, 2006]

246.705 Limitations.

(a) In addition to the exceptions provided in FAR 46.705(a), warranties in the clause at 252.246–7001, Warranty of Data, may be used in cost-reimbursement contracts.

[71 FR 27647, May 12, 2006]

246.706 Warranty terms and conditions.


[71 FR 27647, May 12, 2006]

246.708 Warranties of data.

Obtain warranties on technical data when practicable and cost effective. Consider the factors in FAR 46.703 in deciding whether to obtain warranties of technical data. Consider the following in deciding whether to use extended liability provisions—

(1) The likelihood that correction or replacement of the nonconforming data, or a price adjustment, will not give adequate protection to the Government; and

(2) The effectiveness of the additional remedy as a deterrent against furnishing nonconforming data.

246.710 Solicitation provision and contract clauses.

(1) Use a clause substantially the same as the clause at 252.246–7001, Warranty of Data, in solicitations and contracts that include the clause at 252.227–7013, Rights in Technical Data and Computer Software, when there is a need for greater protection or period of liability than provided by the inspection and warranty clauses prescribed in FAR Part 46.

(2) Use the clause at 252.246–7001, Warranty of Data, with its Alternate I when extended liability is desired and a fixed price incentive contract is contemplated.

(3) Use the clause at 252.246–7001, Warranty of Data, with its Alternate II
when extended liability is desired and a firm fixed price contract is contemplated.

(4) Use the clause at 252.246–7002, Warranty of Construction (Germany), instead of the clause at FAR 52.246–21, Warranty of Construction, in solicitations and contracts for construction when a fixed-price contract will be awarded and contract performance will be in Germany.

(5)(i) In addition to 252.211–7003, Item Identification and Valuation, which is prescribed in 211.274–6(a), use the following provision and clause in solicitations and contracts when it is anticipated that the resulting contract will include a warranty for serialized items:

(A) 252.246–7005, Notice of Warranty Tracking of Serialized Items (include only if offerors will be required to enter data with the offer); and

(B) 252.246–7006, Warranty Tracking of Serialized Items.

(ii) If the Government specifies a warranty, include in the solicitation the appropriate warranty attachment from DFARS 246.710–70. The contracting officer shall request the requiring activity to provide information to ensure that Attachment __., Warranty Tracking Information, is populated with data specifying the Government’s required warranty provision by contract line item number, subline item number, or exhibit line item number prior to solicitation. In such case do not include 252.246–7005 in the solicitation.

(iii) If the Government does not specify a warranty, include 252.246–7005 in the solicitation, and the warranty attachment from DFARS 246.710–70. The contractor may offer a warranty and shall then populate Attachment __., Warranty Tracking Information, as appropriate, as part of its offer as required by 252.246–7005.

(iv) All warranty tracking information that is indicated with a single asterisk (*) in Attachment __., Warranty Tracking Information, shall be completed prior to award. Data indicated with two asterisks (**) may be completed at the time of award. Data indicated with three asterisks (***) may be completed at or after the time of award.

(v) The contractor shall provide warranty repair source instructions (as prescribed in the attachment) no later than the time of delivery.


246.710–70 Warranty attachment.

This is the prescribed attachment and format required and referenced in the provision at 252.246–7005, Notice of Warranty Tracking of Serialized Items, and the clause at 252.246–7006, Warranty Tracking of Serialized Items. The contracting officer shall number the attachment upon issuance of the solicitation and include the solicitation or contract number.
## ATTACHMENT _l_ WARRANTY TRACKING INFORMATION

**SOLICITATION OR CONTRACT NUMBER**

(To be filled in by the contracting officer)

### Warranty Term

<table>
<thead>
<tr>
<th>CLIN SLIN OR ELIN</th>
<th>Warranty Item (note (a))</th>
<th>Warranty Item UII (note (a))</th>
<th>Starting Event (note (b))</th>
<th>Usage (note (c))</th>
<th>Duration (note (d))</th>
<th>Fixed Expiration Date (note (f))</th>
<th>Warranty Administrator Enterprise Identifier Code Type (note (g))</th>
<th>Warranty Guarantor Enterprise Identifier Code Type (note (h))</th>
<th>Warranty Guarantor Enterprise Identifier Code Type (note (i))</th>
</tr>
</thead>
</table>

* To be completed by the requiring activity, if warranty is specified by the Government. Otherwise, all offerors are to complete as part of their offers.
** To be completed by the contractor at the time of award.
*** To be completed by the contractor at the time of award (if known) or at the time Attachment _l_. Warranty Repair Source Instructions is submitted.

### Notes:

(a) Item Type:
- C—component procured separate from end item.
- S—subassembly procured separate from end item or subassembly.
- E—embedded in component, subassembly or end item parent.
- P—parent end item.
- O—Other

(b) Starting Event:
- A—Acceptance.
- I—Installation.
- F—First Use.
- O—Other

(c) Warranty Term—Choose one of the following:
- Usage (for warranties where effectiveness is in terms of operating time or cycles).
- Duration (for warranties that expire after a set period of time).
- (e) Date (for warranties with a fixed expiration date).

(g) Warranty administrator enterprise identifier—A globally unique identifier code assigned to an enterprise by an issuing agency (e.g., Dun & Bradstreet's Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE)/Commercial and Government Entity (CAGE) Code, or the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS-032000) Number, European Health Industry Business Communication Council (EHIBCC) and Health Industry Business Communication Council (HIBCC)).

(h) Warranty Guarantor Enterprise Identifier Code Type 0–9—GS1 Company Prefix.

Notes:

- (a) Item Type.
- C—component procured separate from end item.
- S—subassembly procured separate from end item or subassembly.
- E—embedded in component, subassembly or end item parent.
- P—parent end item.
- O—Other
- Warranty term—Choose one of the following:
  - Usage (for warranties where effectiveness is in terms of operating time or cycles).
  - Duration (for warranties that expire after a set period of time).
  - (e) Date (for warranties with a fixed expiration date).
- (g) Warranty administrator enterprise identifier—A globally unique identifier code assigned to an enterprise by an issuing agency (e.g., Dun & Bradstreet's Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE)/Commercial and Government Entity (CAGE) Code, or the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS-032000) Number, European Health Industry Business Communication Council (EHIBCC) and Health Industry Business Communication Council (HIBCC)).

(h) Warranty Guarantor Enterprise Identifier Code Type 0–9—GS1 Company Prefix.

Notes:

- (a) Item Type.
- C—component procured separate from end item.
- S—subassembly procured separate from end item or subassembly.
- E—embedded in component, subassembly or end item parent.
- P—parent end item.
- O—Other
- Warranty term—Choose one of the following:
  - Usage (for warranties where effectiveness is in terms of operating time or cycles).
  - Duration (for warranties that expire after a set period of time).
  - (e) Date (for warranties with a fixed expiration date).
- (g) Warranty administrator enterprise identifier—A globally unique identifier code assigned to an enterprise by an issuing agency (e.g., Dun & Bradstreet's Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE)/Commercial and Government Entity (CAGE) Code, or the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS-032000) Number, European Health Industry Business Communication Council (EHIBCC) and Health Industry Business Communication Council (HIBCC)).

(h) Warranty Guarantor Enterprise Identifier Code Type 0–9—GS1 Company Prefix.
**ATTACHMENT I: WARRANTY REPAIR SOURCE INSTRUCTIONS**

**CONTRACT NUMBER:**

[To be filled in by the contracting officer]

<table>
<thead>
<tr>
<th>CLIN, SLIN or ELIN*</th>
<th>Warranty Repair Source Enterprise Identifier Code Type (note (a))**</th>
<th>Warranty Repair Source Enterprise Identifier (note (b))**</th>
<th>Shipping address for warranty returns</th>
<th>Instructions (note (c))**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Name**</td>
<td>Address line 1**</td>
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<tr>
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</tr>
</tbody>
</table>

*To be completed by the requiring activity, if warranty is specified by the Government. Otherwise, all offerors are to complete as part of their offers.

**To be completed by the Contractor at the time of award and/or at the time of delivery.

Notes:

(a) Warranty Repair Source Enterprise Identifier Code Type 0–9—GS1 Company Prefix.
D—CAGE.
LB—ATIS–0322000.
LH—EHIBCC.
RH—HIBCC.
UN—DUNS.

(b) Warranty repair source enterprise identifier—A globally unique identifier code assigned to an enterprise by an issuing agency (e.g., Dun & Bradstreet's Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE)/Commercial and Government Entity (CAGE) Code, or the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS–0322000) Number, European Health Industry Business Communication Council (EHIBCC) and Health Industry Business Communication Council (HIBCC)).

(c) Instructions—For each warranty repair source enterprise identifier, include the shipping address for returning warranty items, or include instructions for accessing a web site to obtain prepaid shipping labels for returning warranty items to the designated source of warranty repair.

[76 FR 33168, June 8, 2011]
PART 247—TRANSPORTATION

Sec. 247.001 Definitions.

Subpart 247.2—Contracts for Transportation or for Transportation-Related Services

247.200 Scope of subpart.

247.206 Preparation of solicitations and contracts.

247.207 Solicitation provisions, contract clauses, and special requirements.

247.270 Stevedoring contracts.

247.270–1 Definitions.

Commodity rate is—

(1) The price quoted for handling a ton (weight or measurement) of a specified commodity; and

247.001 Definitions.

For definitions of “Civil Reserve Air Fleet” and “Voluntary Intermodal Sealift Agreement,” see Joint Pub 1-02, DoD Dictionary of Military and Associated Terms. See additional information at PGI 247.001 for the Voluntary Intermodal Sealift Agreement program.

(75 FR 51417, Aug. 20, 2010)

Subpart 247.2—Contracts for Transportation or for Transportation-Related Services

247.200 Scope of subpart.

This subpart does not apply to the operation of vessels owned by, or bareboat chartered by, the Government. See additional guidance at PGI 247.200 for procurement of transportation or related services.

(75 FR 51417, Aug. 20, 2010)

247.206 Preparation of solicitations and contracts.

Consistent with FAR 15.304 and 215.304, consider using the following as evaluation factors or subfactors:

(1) Record of claims involving loss or damage; and

(2) Commitment of transportation assets to readiness support (e.g., Civil Reserve Air Fleet and Voluntary Intermodal Sealift Agreement).

(75 FR 51417, Aug. 20, 2010)

247.207 Solicitation provisions, contract clauses, and special requirements.

Use the clause at 252.247–7003, Pass-Through of Motor Carrier Fuel Surcharge Adjustment to the Cost Bearer, in solicitations and contracts for carriage in which a motor carrier, broker, or freight forwarder will provide or arrange truck transportation services that provide for a fuel-related adjustment.

(75 FR 59104, Sept. 27, 2010)

247.270 Stevedoring contracts.

247.270–1 Definitions.

Commodity rate is—

(1) The price quoted for handling a ton (weight or measurement) of a specified commodity; and
247.270–2 Technical provisions.

(a) Because conditions vary at different ports, and sometimes within the same port, it is not practical to develop standard technical provisions covering all phases of stevedoring operations.

(b) When including rail car, truck, or intermodal equipment loading and unloading, or other dock and terminal work under a stevedoring contract, include these requirements as separate items of work.

247.270–3 Evaluation of bids and proposals.

As a minimum, require that offers include—

(a) Tonnage or commodity rates that apply to the bulk of the cargo worked under normal conditions;

(b) Labor-hour rates that apply to services not covered by commodity rates, or to work performed under hardship conditions; and

(c) Rates for equipment rental.

247.270–4 Contract clauses.

Use the following clauses in solicitations and contracts for stevedoring services as indicated:

(a) 252.247–7000, Hardship Conditions, in all solicitations and contracts.

(b) 252.247–7001, Price Adjustment, when using sealed bidding.

(c) 252.247–7002, Revision of Prices, when using negotiation.

(d) 252.247–7004, Indefinite Quantities—Fixed Charges, when the contract is an indefinite-quantity type and will provide for the payment of fixed charges.

(e) 252.247–7005, Indefinite Quantities—No Fixed Charges, when the contract is an indefinite-quantity type and will not provide for the payment of fixed charges.

(f) 252.247–7006, Removal of Contractor's Employees, in all solicitations and contracts.

(g) 252.247–7007, Liability and Insurance, in all solicitations and contracts.

247.271 Contracts for the preparation of personal property for shipment or storage.

247.271–1 Policy.

(a) Annual contracts. Normally—

(1) Use requirements contracts to acquire services for the—

(i) Preparation of personal property for shipment or storage; and

(ii) Performance of intra-area movement.

(2) Award contracts on a calendar year basis.

(3) Provide for option years.

(4) Award contracts, or exercise option years, before November 1 of each year, if possible.

(b) Areas of performance. Define clearly in the solicitation each area of performance.

(1) Establish one or more areas; however, hold the number to a minimum consistent with local conditions.

(2) Each schedule may provide for the same or different areas of performance. Determine the areas as follows—

(A) Use political boundaries, streets, or any other features as lines of demarcation. Consider such matters as—

247.271–2 Policy.

(a) Annual contracts. Normally—

(b) Areas of performance. Define clearly in the solicitation each area of performance.

(1) Establish one or more areas; however, hold the number to a minimum consistent with local conditions.

(2) Each schedule may provide for the same or different areas of performance. Determine the areas as follows—

(A) Use political boundaries, streets, or any other features as lines of demarcation. Consider such matters as—
(B) Size of overall area; and
(C) The need to service isolated areas of high population density.
(ii) Specifically identify frequently used terminals, and consider them as being included in each area of performance described in the solicitation.
(c) Maximum requirements—minimum capability. The contracting officer must—
(1) Establish realistic quantities on the Estimated Quantities Report in DoD 4500.9–R, Defense Transportation Regulation, Part IV;
(2) Ensure that the Government's minimum acceptable daily capability—
(i) Will at least equal the maximum authorized individual weight allowance as prescribed by the Joint Federal Travel Regulations; and
(ii) Will encourage maximum participation of small business concerns as offerors.

247.271–2 Procedures.
Follow the procedures at PGI 247.271–2 for contracting for the preparation of personal property for shipment or storage.
[75 FR 51417, Aug. 20, 2010]

247.271–3 Solicitation provisions, schedule formats, and contract clauses.
When acquiring services for the preparation of personal property for movement or storage, and for performance of intra-city or intra-area movement, use the following provisions, clauses, and schedules. Revise solicitation provisions and schedules, as appropriate, if using negotiation rather than sealed bidding. Overseas commands, except those in Alaska and Hawaii, may modify these clauses to conform to local practices, laws, and regulations.
(a) The provision at 252.247–7006, Evaluation of Bids. When adding “additional services” items to any schedule, use the basic clause with Alternate I.
(b) The provision at 252.247–7009, Award.
(c) In solicitations and resulting contracts, the schedules provided by the installation personal property shipping office. Follow the procedures at PGI 247.271–3(c) for use of schedules.
(d) The clause at 252.247–7010, Scope of Contract.
(e) The clause at 252.247–7011, Period of Contract. When the period of performance is less than a calendar year, modify the clause to indicate the beginning and ending dates. However, the contract period must not end later than December 31 of the year in which the contract is awarded.
(f) In addition to designating each ordering activity, as required by the clause at FAR 52.216–18, Ordering, identify by name or position title the individuals authorized to place orders for each activity. When provisions are made for placing oral orders in accordance with FAR 16.505(a)(4), document the oral orders in accordance with department or agency instructions.
(g) The clause at 252.247–7012, Ordering Limitation.
(i) The clause at 252.247–7014, Demurrage. See additional information at PGI 247.271–3(c)(1) for demurrage and detention charges.
(j) When using the clause at FAR 52.216–21, Requirements, see 216.506(d), which prescribes an alternate to the clause.
(k) The clause at 252.247–7016, Contractor Liability for Loss and Damage.
(m) The clause at 252.247–7018, Subcontracting.
(n) The clause at 252.247–7019, Drayage.
(o) The clause at 252.247–7020, Additional Services.
(p) The clauses at FAR 52.247–8, Estimated Weight or Quantities Not Guaranteed, and FAR 52.247–13, Accessorial Services—Moving Contracts.
Subpart 247.3—Transportation in Supply Contracts

247.301 General.
See PGI 247.301 for transportation guidance relating to Government Purchase Card purchases that require shipments to destinations outside CONUS.
[75 FR 51417, August 20, 2010]

247.301–70 Definition.
"Integrated logistics managers" or "third-party logistics providers" means providers of multiple logistics services. Some examples of logistics services are the management of transportation, demand forecasting, information management, inventory maintenance, warehousing, and distribution.
[65 FR 50145, Aug. 17, 2000]

247.301–71 Evaluation factor or subfactor.
For contracts that will include a significant requirement for transportation of items outside CONUS, include an evaluation factor or subfactor that favors suppliers, third-party logistics providers, and integrated logistics managers that commit to using carriers that participate in one of the readiness programs (e.g., Civil Reserve Air Force Fleet and Voluntary Intermodal Sealift Agreement).
[65 FR 50145, Aug. 17, 2000]

247.305 Solicitation provisions, contract clauses, and transportation factors.

247.305–10 Packing, marking, and consignment instructions.
Follow the procedures at PGI 247.305–10 for preparation of consignment instructions.
[75 FR 51417, Aug. 20, 2010]

247.305–70 Returnable containers other than cylinders.
Use the clause at 252.247–7021, Returnable Containers Other Than Cylinders, in solicitations and contracts for supplies involving contractor-furnished returnable reels, spools, or other returnable containers if the contractor is to retain title to the containers.
[75 FR 51417, Aug. 20, 2010]

Subpart 247.5—Ocean Transportation by U.S.-Flag Vessels

247.570 Scope.
This subpart—
(a) Implements—
(1) The Cargo Preference Act of 1904 ("the 1904 Act"), 10 U.S.C. 2631, which applies to the ocean transportation of cargo owned by, or destined for use by, DoD;
(2) Section 1017 of the National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109–364), which applies to the ocean transportation of cargo owned by, or destined for use by, DoD;

247.370 DD Form 1384, Transportation Control and Movement Document.
The transportation office of the shipping activity prepares the DD Form 1384 to accompany all shipments made through a military air or water port, in accordance with DoD 4500.9–R, Defense Transportation Regulation, Part II, Chapter 203. A link to this document is available in PGI 247.370.
[75 FR 51418, Aug. 20, 2010]

247.371 DD Form 1653, Transportation Data for Solicitations.
The transportation specialist prepares the DD Form 1653 to accompany requirements for the acquisition of supplies. The completed form should contain recommendations for suitable f.o.b. terms and other suggested transportation provisions for inclusion in the solicitation.
[75 FR 51418, Aug. 20, 2010]

247.372 DD Form 1654, Evaluation of Transportation Cost Factors.
Contracting personnel may use the DD Form 1654 to furnish information to the transportation office for development of cost factors for use by the contracting officer in the evaluation of f.o.b. origin offers.
Defense Acquisition Regulations System, DOD 247.572

in shipyards located in the United States or Guam; and

(3) Section 3504 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110–417), which addresses requirements that apply to riding gang members and DoD-exempted individuals (see 252.247–7027(c)) who perform work on U.S.-flag vessels under DoD contracts for transportation services documented under chapter 121, title 46 U.S.C.

(b) Does not specifically implement the Cargo Preference Act of 1954 ("the 1954 Act"), 46 U.S.C. 1241(b). The 1954 Act is applicable to DoD, but DFARS coverage is not required because compliance with the 1904 Act historically has resulted in DoD exceeding the 1954 Act’s requirements; and

(c) Does not apply to ocean transportation of the following products, in which case FAR subpart 47.5 applies:

(1) Products obtained for contributions to foreign assistance programs.

(2) Products owned by agencies other than DoD, unless the products are clearly identifiable for eventual use by DoD.


247.571 Definitions.

Covered vessel, foreign shipyard, overhaul, repair, and maintenance work, and shipyard, as used in this subpart, have the meaning given in the provision at 252.247–7026, Evaluation Preference for Use of Domestic Shipyards—Applicable to Acquisition of Carriage by Vessel for DoD Cargo in the Coastwise or Non-contiguous Trade.

[73 FR 70911, Nov. 24, 2008]

247.572 Policy.

(a) DoD contractors must transport supplies, as defined in the clause at 252.247–7023, Transportation of Supplies by Sea, exclusively on U.S.-flag vessels unless—

(1) Those vessels are not available, and the procedures at 247.573–1(c)(1) or 247.573–2(d)(1) are followed;

(2) The proposed charges to the Government are higher than charges to private persons for the transportation of like goods, and the procedures at 247.573–1(c)(2) or 247.573–2(d)(2) are followed; or

(3) The Secretary of the Navy or the Secretary of the Army determines that the proposed freight charges are excessive or unreasonable in accordance with 247.573–1(c)(3) or 247.573–2(d)(3).

(b) Contracts must provide for the use of Government-owned vessels when security classifications prohibit the use of other than Government-owned vessels.

(c)(1) Any vessel used under a time charter contract for the transportation of supplies under this section shall have any reflagging or repair work, as defined in the clause at 252.247–7025, Reflagging or Repair Work, performed in the United States or its outlying areas, if the reflagging or repair work is performed—

(i) On a vessel for which the contractor submitted an offer in response to the solicitation for the contract; and

(ii) Prior to the acceptance of the vessel by the Government.

(2) The Secretary of Defense may waive this requirement if the Secretary determines that such waiver is critical to the national security of the United States.

(d) In accordance with Section 1017 of the National Defense Authorization Act for Fiscal Year 2007 (Public Law 109–364)—

(1) When obtaining carriage requiring a covered vessel, the contracting officer must consider the extent to which offerors have had overhaul, repair, and maintenance work for covered vessels performed in shipyards located in the United States or Guam; and

(2) DoD must submit an annual report to the congressional defense committees, addressing the information provided by offerors with regard to overhaul, repair, and maintenance for covered vessels performed in shipyards located in the United States or Guam.

(e) In accordance with section 3504 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110–417), DoD may not award, renew or extend, or exercise an option under a charter of, or contract for carriage of cargo by, a U.S.-flag vessel documented
247.573 Procedures.

[72 FR 49206, Aug. 28, 2007]

247.573–1 Ocean transportation incidental to a contract for supplies, services, or construction.

(a) This subsection applies when ocean transportation is not the principal purpose of the contract, and the cargo to be transported is owned by DoD or is clearly identifiable for eventual use by DoD.

(b) DD Form 1653, Transportation Data for Solicitations, shall be used—

(1) By the requesting activity in developing the Government estimate for transportation costs; and

(2) By the contracting officer in ensuring that valid shipping instructions and delivery terms are included in solicitations and contracts that may involve transportation of supplies by sea.

(c) If the contractor notifies the contracting officer that the contractor or a subcontractor considers that—

(1) No U.S.-flag vessels are available, the contracting officer must request confirmation of the nonavailability from—

(i) The Commander, Military Sealift Command (MSC), through the Contracts and Business Management Directorate, MSC; or

(ii) The Commander, Military Surface Deployment and Distribution (SDDC), through the SDDC global e-mailbox sddc.ops.fw@us.army.mil and the Principal Assistant Responsible for Contracting, SDDC.

(2) The proposed freight charges to the Government, the contractor, or any subcontractor are higher than charges for transportation of like goods to private persons, the contracting officer may approve a request for an exception to the requirement to ship on U.S.-flag vessels for a particular shipment.

(i) Prior to granting an exception, the contracting officer must request advice, oral or written, from the Commander, MSC, or the Commander, MTMC.

(ii) In advising the contracting officer whether to grant the exception, the Commander, MSC, or the Commander, SDDC, must consider, as appropriate, evidence from—

(A) Published tariffs;

(B) Industry publications;

(C) The Maritime Administration; and

(D) Any other available sources.

(3) The freight charges proposed by U.S.-flag carriers are excessive or otherwise unreasonable—

(i) The contracting officer must prepare a report in determination and finding format, and must—

(A) Take into consideration that the 1904 Act is, in part, a subsidy of the U.S.-flag commercial shipping industry that recognizes that lower prices may be available from foreign-flag carriers. Therefore, a lower price for use of a foreign-flag vessel is not a sufficient basis, on its own, to determine that the freight rate proposed by the U.S.-flag carrier is excessive or otherwise unreasonable. However, such a price differential may indicate a need for further review;

(B) Consider, accordingly, not only excessive profits to the carrier (to include vessel owner or operator), if ascertainable, but also excessive costs to the Government (i.e., costs beyond the economic penalty normally incurred by excluding foreign competition) resulting from the use of U.S.-flag vessels in extraordinarily inefficient circumstances; and

(C) Include an analysis of whether the cost is excessive, taking into account factors such as—

(I) The differential between the freight charges proposed by the U.S.-flag carrier and an estimate of what foreign-flag carriers would charge based upon a price analysis;

(2) A comparison of U.S.-flag rates charged on comparable routes;

(3) Efficiency of operation regardless of rate differential (e.g., suitability of the vessel for the required transportation in terms of cargo requirements or vessel capacity, and the commercial reasonableness of vessel positioning required); and
Defense Acquisition Regulations System, DOD 247.573–2

(4) Any other relevant economic and financial considerations.
(ii) The contracting officer must forward the report to—
(A) The Commander, MSC, through the Contracts and Business Management Directorate, MSC; or
(B) The Commander, through the SDDC global e-mailbox: sddc.ops.ffw@us.army.mil and the Principal Assistant Responsible for Contracting, SDDC.
(iii) If in agreement with the contracting officer, the Commander, MSC, or the Commander, SDDC, will forward the report to the Secretary of the Navy or the Secretary of the Army, respectively, for a determination as to whether the proposed freight charges are excessive or otherwise unreasonable.


247.573–2 Direct purchase of ocean transportation services.

(a) This subsection applies when ocean transportation is the principal purpose of the contract, including—
(1) Time charters;
(2) Voyage charters;
(3) Contracts for charter vessel services;
(4) Dedicated contractor contracts for charter vessel services;
(5) Ocean bills of lading; and
(6) Subcontracts under Government contracts or agreements for ocean transportation services.
(b) Coordinate these acquisitions, as appropriate, with the U.S. Transportation Command, the DoD single manager for commercial transportation and related services, other than Service-unique or theater-assigned transportation assets, in accordance with DoD 5158.4, United States Transportation Command.
(c) All solicitations within the scope of this subsection must provide—
(1) A preference for U.S.-flag vessels in accordance with the 1904 Act;
(2) An evaluation criterion for offeror participation in the Voluntary Intermodal Sealift Agreement; and
(3) An evaluation criterion considering the extent to which offerors have had overhaul, repair, and maintenance work for all covered vessels in an offeror’s fleet performed in shipyards located in the United States or Guam. Work performed in foreign shipyards shall not be evaluated under this criterion if—
(i) Such work was performed as emergency repairs in foreign shipyards due to accident, emergency, Act of God, or an infirmity to the vessel, and safety considerations warranted taking the vessel to a foreign shipyard; or
(ii) Such work was paid for or reimbursed by the U.S. Government.
(d) Do not award a contract of the type described in paragraph (a) of this subsection for a foreign-flag vessel unless—
(1) The Commander, MSC, or the Commander, SDDC, determines that no U.S.-flag vessels are available.
(i) The Commander, MSC, and the Commander, SDDC, are authorized to make any determinations as to the availability of U.S.-flag vessels to ensure the proper use of Government and private U.S. vessels.
(ii) The contracting officer must request such determinations—
(A) For voyage and time charters, through the Contracts and Business Management Directorate, MSC; and
(B) For ocean and intermodal transportation of DoD and DoD-sponsored cargoes, as applicable under contracts awarded by SDDC, including contracts for shipment of military household goods, through the Chiefs of the SDDC Ocean Cargo Clearance Authority.
(iii) In the absence of regularly scheduled U.S.-flag service to fulfill stated DoD requirements under SDDC solicitations or rate requests, the Commander, SDDC, may grant, on a case-by-case basis, an on-going nonavailability determination for foreign-flag service approval with pre-determined review date(s);
(2) The contracting officer determines that the U.S.-flag carrier has proposed to the Government freight charges that are higher than charges to private persons for transportation of like goods, and obtains the approval of the Commander, MSC, or the Commander, SDDC; or
(3) The Secretary of the Navy or the Secretary of the Army determines that the proposed freight charges for U.S.-
flag vessels are excessive or otherwise unreasonable.

(i) After considering the factors in 247.573–1(c)(3)(i)(A) and (B), if the contracting officer concludes that the freight charges proposed by U.S.-flag carriers may be excessive or otherwise unreasonable, the contracting officer must prepare a report in determination and finding format that includes, as appropriate—

(A) An analysis of the carrier's costs in accordance with FAR Subpart 15.4, or profit in accordance with 215.404–4. The costs or profit should not be so high as to make it unreasonable to apply the preference for U.S.-flag vessels;

(B) A description of efforts taken pursuant to FAR 15.405, to negotiate a reasonable price. For the purpose of FAR 15.405(d), this report is the referral to a level above the contracting officer; and

(C) An analysis of whether the costs are excessive (i.e., costs beyond the economic penalty normally incurred by excluding foreign competition), taking into consideration factors such as those listed at 247.573–1(c)(3)(i)(C).

(ii) The contracting officer must forward the report to—

(A) The commander, MSC, through the Contracts and Business Management Directorate, MSC; or

(B) The Commander, SDDC, through the Principal Assistant Responsible for Contracting, SDDC.

(iii) If an agreement with the contracting officer, the Commander, MSC, or the Commander, SDDC, will forward the report to the Secretary of the Navy or the Secretary of the Army, respectively, for a determination as to whether the proposed freight charges are excessive or otherwise unreasonable.


247.573–3 Annual reporting requirement.

(a) No later than February 15th of each year, departments and agencies shall—

(1) Prepare a report containing all information received from all offerors in response to the provision at 252.247–7026 during the previous calendar year; and

(2) Submit the report to: Directorate of Acquisition, U.S. Transportation Command, ATTN: TCAQ, 508 Scott Drive, Scott AFB, IL 62225–5357.

(b) The Director of Acquisition, U.S. Transportation Command, will submit a consolidated annual report to the congressional defense committees, by June 1st of each year, in accordance with Section 1017 of Public Law 109–364.


247.574 Solicitation provisions and contract clauses.

(a) Use the provision at 252.247–7022, Representation of Extent of Transportation by Sea, in all solicitations except—

(1) Those for direct purchase of ocean transportation services; or

(2) Those with an anticipated value at or below the simplified acquisition threshold.

(b)(1) Use the clause at 252.247–7023, Transportation of Supplies by Sea, in all solicitations and resultant contracts, except those for direct purchase of ocean transportation services.

(2) Use the clause with its Alternate I in other than construction contracts, if any of the supplies to be transported are commercial items that are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations.

(3) Use the clause with its Alternate II in other than construction contracts, if any of the supplies to be transported are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

(4) Use the clause with its Alternate III in solicitations and contracts with an anticipated value at or below the simplified acquisition threshold.

(c) Use the clause at 252.247–7024, Notification of Transportation of Supplies by Sea, in all contracts for which the offeror made a negative response to the inquiry in the provision at 252.247–7022, Representation of Extent of Transportation by Sea.
Defense Acquisition Regulations System, DOD 249.501–70

(d) Use the clause at 252.247–7025, Reflagging or Repair Work, in all time charter solicitations and contracts for the use of a vessel for the transportation of supplies, unless a waiver has been granted in accordance with 247.572(c).

(e) Use the provision at 252.247–7026, Evaluation Preference for Use of Domestic Shipyards—Applicable to Acquisition of Carragey by Vessel for DoD Cargo in the Coastwise or Noncontiguous Trade, in solicitations that require a covered vessel for carriage of cargo for DoD. See 247.573–3 for reporting of the information received from offerors in response to the provision. See 247.573–2(c)(3) for the required evaluation criterion.

(f) Use the clause at 252.247–7027, Riding Gang Member Requirements, in solicitations and contracts for the charter of, or contract for carriage of cargo by, a U.S.-flag vessel documented under chapter 121 of title 46 U.S.C.


PART 249—TERMINATION OF CONTRACTS

Subpart 249.1—General Principles

Sec.
249.105 Duties of termination contracting officer after issuance of notice of termination.
249.105–1 Termination status reports.
249.105–2 Release of excess funds.
249.109 Settlement agreements.
249.109–7 Settlement by determination.
249.110 Settlement negotiation memorandum.

Subpart 249.5—Contract Termination Clauses

249.501 General.
249.501–70 Special termination costs.

Subpart 249.70—Special Termination Requirements

249.7000 Terminated contracts with Canadian Commercial Corporation.
249.7001 Congressional notification on significant contract terminations.
249.7002 [Reserved]
249.7003 Notification of anticipated contract terminations or reductions.


Source: 56 FR 36471, July 31, 1991, unless otherwise noted.

Subpart 249.1—General Principles

249.105 Duties of termination contracting officer after issuance of notice of termination.

249.105–1 Termination status reports.

Follow the procedures at PGI 249.105–1 for reporting status of termination actions.

[71 FR 27645, May 12, 2006]

249.105–2 Release of excess funds.

See PGI 249.105–2 for guidance on recommending the release of excess funds.

[71 FR 27645, May 12, 2006]

249.109 Settlement agreements.

249.109–7 Settlement by determination.

Follow the procedures at PGI 249.109–7 for settlement of a convenience termination by determination.

[71 FR 27645, May 12, 2006]

249.110 Settlement negotiation memorandum.

Follow the procedures at PGI 249.110 for preparation of a settlement negotiation memorandum.

[71 FR 27645, May 12, 2006]

Subpart 249.5—Contract Termination Clauses

249.501 General.

249.501–70 Special termination costs.

(a) The clause at 252.249–7000, Special Termination Costs, may be used in an incrementally funded contract when its use is approved by the agency head.

(b) The clause is authorized when—

(1) The contract term is 2 years or more;

(2) The contract is estimated to require—

(1) Total RDT&E financing in excess of $25 million; or
(ii) Total production investment in excess of $100 million; and
(3) Adequate funds are available to cover the contingent reserve liability for special termination costs.

(c) The contractor and the contracting officer must agree upon an amount that represents their best estimate of the total special termination costs to which the contractor would be entitled in the event of termination of the contract. Insert this amount in paragraph (c) of the clause.

(d)(1) Consider substituting an alternate paragraph (c) for paragraph (c) of the basic clause when—
(i) The contract covers an unusually long performance period; or
(ii) The contractor's cost risk associated with contingent special termination costs is expected to fluctuate extensively over the period of the contract.

(2) The alternate paragraph (c) should provide for periodic negotiation and adjustment of the amount reserved for special termination costs. Occasions for periodic adjustment may include—
(i) The Government’s incremental assignment of funds to the contract;
(ii) The time when certain performance milestones are accomplished by the contractor; or
(iii) Other specific time periods agreed upon by the contracting officer and the contractor.

Subpart 249.70—Special Termination Requirements

249.7000 Terminated contracts with Canadian Commercial Corporation.

(a) Terminate contracts with the Canadian Commercial Corporation in accordance with—
(1) The Letter of Agreement (LOA) between the Department of Defence Production (Canada) and the U.S. DoD, “Canadian Agreement” (for a copy of the LOA or for questions on its currency, contact the Office of the Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), (703) 697–9351, DSN 227–9351);
(2) Policies in the Canadian Agreement and part 249; and

(b) Contracting officers shall ensure that the Canadian Commercial Corporation submits termination settlement proposals in the format prescribed in FAR 49.602 and that they contain the amount of settlements with subcontractors. The termination contracting officer (TCO) shall prepare an appropriate settlement agreement. (See FAR 49.603.) The letter transmitting a settlement proposal must certify—
(1) That disposition of inventory has been completed; and
(2) That the Contract Claims Resolution Board of the Public Works and Government Services Canada has approved settlements with Canadian subcontractors when the Procedures Manual on Termination of Contracts requires such approval.

(c)(1) The Canadian Commercial Corporation will—
(i) Settle all Canadian subcontractor termination claims under the Canadian Agreement; and
(ii) Submit schedules listing serviceable and usable contractor inventory for screening to the TCO (see FAR 45.6).

(2) After screening, the TCO must provide guidance to the Canadian Commercial Corporation for disposition of the contractor inventory.

(3) Settlement of Canadian subcontractor claims are not subject to the approval and ratification of the TCO. However, when the proposed negotiated settlement exceeds the total contract price of the prime contract, the TCO shall obtain from the U.S. contracting officer prior to final settlement—
(i) Ratification of the proposed settlement; and
(ii) A contract modification increasing the contract price and obligating the additional funds.

(d) The Canadian Commercial Corporation should send all termination settlement proposals submitted by U.S. subcontractors and suppliers to the TCO of the cognizant contract administration office of the Defense Contract
Management Agency for settlement. The TCO will inform the Canadian Commercial Corporation of the amount of the net settlement of U.S. subcontractors and suppliers so that this amount can be included in the Canadian Commercial Corporation termination proposal. The Canadian Commercial Corporation is responsible for execution of the settlement agreement with these subcontractors.

(e) The Canadian Commercial Corporation will continue administering contracts that the U.S. contracting officer terminates.

(f) The Canadian Commercial Corporation will settle all Canadian subcontracts in accordance with the policies, practices, and procedures of the Canadian Government.

(g) The U.S. agency administering the contract with the Canadian Commercial Corporation shall provide any services required by the Canadian Commercial Corporation, including disposal of inventory, for settlement of any subcontracts placed in the United States. Settlement of such U.S. subcontracts will be in accordance with this regulation.

249.7001 Congressional notification on significant contract terminations.

Congressional notification is required for any termination involving a reduction in employment of 100 or more contractor employees. Proposed terminations must be cleared through department/agency liaison offices before release of the termination notice, or any information on the proposed termination, to the contractor. Follow the procedures at PGI 249.7001 for congressional notification and release of information.

249.7002 [Reserved]

249.7003 Notification of anticipated contract terminations or reductions.

(a) Section 1372 of the National Defense Authorization Act for Fiscal Year 1994 (Pub. L. 103–160) and Section 824 of the National Defense Authorization Act for Fiscal Year 1997 (Pub. L. 104–201) are intended to help establish benefit eligibility under the Job Training Partnership Act (29 U.S.C. 1661 and 1662) for employees of DoD contractors and subcontractors adversely affected by termination or substantial reductions in major defense programs.

(b) Departments and agencies are responsible for establishing procedures to:

(1) Identify which contracts (if any) under major defense programs will be terminated or substantially reduced as a result of the funding levels provided in an appropriations act.

(2) Within 60 days of the enactment of such an act, provide notice of the anticipated termination of or substantial reduction in the funding of affected contracts—

(i) Directly to the Secretary of Labor; and

(ii) Through the contracting officer to each prime contractor.

(c) Use the clause at 252.249–7002, Notification of Anticipated Contract Termination or Reduction, in all contracts under a major defense program.

Subpart 250.1—Extraordinary Contractual Actions

250.100 Definitions.

Secretarial level, as used in this subpart, means—
(1) An official at or above the level of an Assistant Secretary (or Deputy) of Defense or of the Army, Navy, or Air Force; and
(2) A contract adjustment board established by the Secretary concerned.

250.101 General.

250.101–2 Policy.

250.101–2–70 Limitations on payment.

See 10 U.S.C. 2410(b) for limitations on Congressionally directed payment of a request for equitable adjustment to contract terms or a request for relief under Public Law 85–804.

250.101–3 Records.

Follow the procedures at PGI 250.101–3 for preparation of records.

250.102 Delegation of and limitations on exercise of authority.

250.102–1 Delegation of authority.

(b) Authority under FAR 50.104 to approve actions obligating $65,000 or less may not be delegated below the level of the head of the contracting activity.

(d) In accordance with the acquisition authority of the Under Secretary of Defense (Acquisition, Technology, and Logistics (USD (AT&L)) under 10 U.S.C. 133, in addition to the Secretary of Defense and the Secretaries of the military departments, the USD (AT&L) may exercise authority to indemnify against unusually hazardous or nuclear risks.

250.102–1–70 Delegations.

(a) Military departments. The Departments of the Army, Navy, and Air Force will specify delegations and levels of authority for actions under the Act and the Executive Order in departmental supplements or agency acquisition guidance.

(b) Defense agencies. Subject to the restrictions on delegations of authority in 250.102–1(b) and FAR 50.102–1, the directors of the defense agencies may exercise and redelegate the authority contained in the Act and the Executive Order. The agency supplements or agency acquisition guidance shall specify the delegations and levels of authority.

(1) Requests to obligate the Government in excess of $65,000 must be submitted to the USD (AT&L) for approval.

(2) Requests for indemnification against unusually hazardous or nuclear risks must be submitted to the USD(AT&L) for approval before using the indemnification clause at FAR 52.250–1, Indemnification Under Public Law 85–804.

(c) Approvals. The Secretary of the military department or the agency director must approve any delegations in writing.

250.102–2 Contract adjustment boards.

The Departments of the Army, Navy, and Air Force each have a contract adjustment board. The board consists of a Chair and not less than two nor more than six other members, one of whom may be designated the Vice-Chair. A majority constitutes a quorum for any purpose and the concurring vote of a majority of the total board membership constitutes an action of the board. Alternates may be appointed to act in the absence of any member.

250.103 Contract adjustments.

250.103–3 Contract adjustment.

(a) Contractor requests should be filed with the procuring contracting officer (PCO). However, if filing with the PCO is impractical, requests may be filed with an authorized representative, an administrative contracting officer, or the Office of General Counsel of the applicable department or agency, for forwarding to the cognizant PCO.
250.103–5 Processing cases.

(1) At the time the request is filed, the activity shall prepare the record described at PGI 250.101–3(1)(i) and forward it to the appropriate official within 30 days after the close of the month in which the record is prepared.

(2) The officer or official responsible for the case shall forward to the contract adjustment board, through departmental channels, the documentation described at PGI 250.103–5.

(3) Contract adjustment boards will render decisions as expeditiously as practicable. The Chair shall sign a memorandum of decision disposing of the case. The decision shall be dated and shall contain the information required by FAR 50.103–6. The memorandum of decision shall not contain any information classified “Confidential” or higher. The board’s decision will be sent to the appropriate official for implementation.

250.103–6 Disposition.

For requests denied or approved below the Secretarial level, follow the disposition procedures at PGI 250.103–6.

250.104 Residual powers.

250.104–3 Special procedures for unusually hazardous or nuclear risks.

250.104–3–70 Indemnification under contracts involving both research and development and other work.

When indemnification is to be provided on contracts requiring both research and development work and other work, the contracting officer shall insert an appropriate clause using the authority of both 10 U.S.C. 2354 and Public Law 85–804.

(a) The use of Public Law 85–804 is limited to work which cannot be indemnified under 10 U.S.C. 2354 and is subject to compliance with FAR 50.104.

(b) Indemnification under 10 U.S.C. 2354 is covered by 235.070.
251.205  Contract clause.

(B) See FAR 28.308 for policy on self-insurance.
(C) See FAR 31.205–19 for allowability of insurance costs.
(5) Paragraph (d) of the clause at 252.251–7001 satisfies the requirement of FAR 51.202(a)(5) for a written statement.

Use the clause at 252.251–7001, Use of Interagency Fleet Management System (IFMS) Vehicles and Related Services, in solicitations and contracts which include the clause at FAR 52.251–2, Interagency Fleet Management System (IFMS) Vehicles and Related Services.
SUBCHAPTER H—CLAUSES AND FORMS

PART 252—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

Subpart 252.1—Instructions for Using Provisions and Clauses

Sec. 252.101 Using part 252.

Subpart 252.2—Text of provisions and clauses

252.201–7000 Contracting officer’s representative.
252.203–7000 Requirements relating to compensation of former DoD officials.
252.203–7001 Prohibition on persons convicted of fraud or other defense-contract-related felonies.
252.203–7002 Requirement to inform employees of whistleblower rights.
252.203–7004 Display of fraud hotline poster(s).
252.203–7005 Disclosure of Information.
252.204–7000 Disclosure of Information.
252.204–7001 Commercial and government entity (CAGE) code reporting.
252.204–7002 Payment for subline items not separately priced.
252.204–7003 Control of government personnel work product.
252.204–7004 Alternate A, Central Contractor Registration.
252.204–7005 Oral attestation of security responsibilities.
252.204–7006 Billing instructions.
252.204–7007 Alternate A, Annual Representations and Certifications.
252.204–7008 Export-controlled items.
252.204–7009 [Reserved]
252.204–7010 Requirement for contractor to notify DoD if the contractor’s activities are subject to reporting under the U.S.-International Atomic Energy Agency Additional Protocol.
252.204–7011 Alternative Line Item Structure.
252.205–7000 Provision of information to cooperative agreement holders.
252.206–7000 Domestic source restriction.
252.208–7000 Intent to furnish precious metals as Government-furnished material.
252.209–7000 [Reserved]
252.209–7001 Disclosure of ownership or control by the government of a terrorist country.
252.209–7002 Disclosure of ownership or control by a foreign government.
252.209–7003 [Reserved]
252.209–7004 Subcontracting with firms that are owned or controlled by the government of a terrorist country.
252.209–7005 Reserve Officer Training Corps and military recruiting on campus.
252.209–7006 Limitations on Contractors Acting as Lead System Integrators.
252.209–7008 Notice of Prohibition Relating to Organizational Conflict of Interest—Major Defense Acquisition Program.
252.209–7009 Organizational Conflict of Interest—Major Defense Acquisition Program.
252.209–7010 Critical safety items.
252.211–7000 Acquisition streamlining.
252.211–7001 Availability of Specifications, Standards, and Data Item Descriptions Not Listed in the Acquisition Streamlining and Standardization Information System (ASSIST), and Plans, Drawings, and Other Pertinent Documents.
252.211–7002 Availability for examination of specifications, standards, plans, drawings, data item descriptions, and other pertinent documents.
252.211–7003 Item identification and valuation.
252.211–7004 Alternate preservation, packaging, and packing.
252.211–7005 Substitutions for military or Federal specifications and standards.
252.211–7008 Use of Government-assigned serial numbers.
252.212–7000 Offeror representations and certifications—Commercial items.
252.212–7001 Contract terms and conditions required to implement statutes or Executive Orders applicable to Defense acquisitions of commercial items.
252.212–7002 Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items.
252.215–7000 Pricing adjustments.
252.215–7001 [Reserved]
252.215–7002 Cost estimating system requirements.
252.215–7003 [Reserved]
252.215–7004 Excessive pass-through charges.
252.215–7005 Evaluation Factor for Employing or Subcontracting With Members of the Selected Reserve.
252.215–7006 Use of Employees or Individual Subcontractors Who Are Members of the Selected Reserve.
252.216–7000 Economic price adjustment—
basic steel, aluminum, brass, bronze, or
copper mill products.
252.216–7001 Economic price adjustment—
nonstandard steel items.
252.216–7002 Alternate A, Time-and-Mate-
rials/Labor-Hour Proposal Require-
ments—Non-Commercial Item Acquisi-
tion with Adequate Price Competition.
252.216–7003 Economic price adjustment—
cooling rates or material prices controlled
by a foreign government.
252.216–7004 Award Fee Reduction or Denial
for Jeopardizing the Health or Safety of
Government Personnel.
252.216–7005 Award Fee.
252.216–7006 Ordering.
252.217–7000 Exercise of option to fulfill for-
eign military sales commitments.
252.217–7001 Surge option.
252.217–7002 Offering property for exchange.
252.217–7003 Changes.
252.217–7004 Job orders and compensation.
252.217–7005 Inspection and manner of doing
work.
252.217–7006 Title.
252.217–7007 Payments.
252.217–7008 Bonds.
252.217–7009 Default.
252.217–7010 Performance.
252.217–7011 Access to vessel.
252.217–7012 Liability and insurance.
252.217–7013 Guarantees.
252.217–7014 Discharge of liens.
252.217–7015 Safety and health.
252.217–7016 Plant protection.
252.217–7026 Identification of sources of supply.
252.217–7028 Over and above work.
252.219–7000–252.219–7002 [Reserved]
252.219–7003 Small business subcontracting
plan (DoD contracts).
252.219–7004 Small business subcontracting
plan (test program).
252.219–7005–252.219–7008 [Reserved]
252.219–7009 Section 8(a) direct award.
252.219–7010 Alternate A.
252.219–7011 Notification to delay perform-
ance.
252.222–7000 Restrictions on employment of
personnel.
252.222–7003 Right of first refusal of employ-
ment—Closure of military installations.
252.222–7002 Compliance with local labor
laws (overseas).
252.222–7003 Permit from Italian
Inspectorate of Labor.
252.222–7004 Compliance with Spanish social
security laws and regulations.
252.222–7005 Prohibition on use of non-
immigrant aliens—Guam.
252.222–7006 Restrictions on the Use of Man-
datory Arbitration Agreements.
252.223–7000 [Reserved]
252.223–7001 Hazard warning labels.
## Defense Acquisition Regulations System, DOD Pt. 252

- 252.225–7027 Restriction on contingent fees for foreign military sales.
- 252.225–7028 Exclusionary policies and practices of foreign governments.
- 252.225–7029 Secondary Arab boycott of Israel.
- 252.225–7031 Waiver of United Kingdom levies.
- 252.225–7032 Waiver of United Kingdom levies.
- 252.225–7033 Waiver of United Kingdom levies.
- 252.225–7034 Rights in noncommercial technical data and computer software—Small Business Innovation Research (SBIR) Program.
- 252.225–7038 Restriction on acquisition of air circuit breakers.
- 252.225–7039 Contractors performing private security functions.
- 252.225–7041 Correspondence in English.
- 252.225–7043 Antiterrorism/force protection policy for defense contractors outside the United States.
- 252.225–7046 Notice of historically black college or university and minority institution set-aside.
- 252.225–7047 Utilization of Indian organizations, Indian-owned economic enterprises, and native Hawaiian small business concerns.
- 252.225–7048 Rights in noncommercial computer software and noncommercial computer software documentation.
- 252.225–7050 Rights in bid or proposal information.
- 252.225–7051 Identification and assertion of use, release, or disclosure restrictions.
- 252.225–7052 Rights in noncommercial technical data and computer software—Small Business Innovation Research (SBIR) Program.
- 252.225–7054 Rights in special works.
- 252.225–7055 Rights in data—existing works.
- 252.225–7057 Drawings and other data to become property of Government.
- 252.225–7058 Notice and approval of restricted designs.
- 252.225–7059 Limitations on the use or disclosure of government-furnished information marked with restrictive legends.
- 252.225–7060 Deferred delivery of technical data or computer software.
- 252.225–7061 Deferred ordering of technical data or computer software.
- 252.225–7062 Technical data or computer software previously delivered to the government.
- 252.225–7064 Rights in technical data and computer software (foreign).
- 252.225–7065 Rights in data and computer software.
- 252.225–7066 Technical data or computer software previously delivered to the government.
- 252.225–7068 Patents—reporting of subject inventions.
- 252.225–7069 Reimbursement for war-hazard losses.
- 252.225–7070 Ground and flight risk.
- 252.225–7071 Aircraft flight risk.
- 252.225–7072 Aircraft flight risk.
- 252.225–7073 Capture and detention.
- 252.225–7074 Captions or other security.
- 252.225–7075 Accident reporting and investigation involving aircraft, missiles, and space launch vehicles.
- 252.225–7076 Compliance with Spanish laws and insurance.
- 252.225–7077 Invoices exclusive of taxes or duties.
- 252.225–7078 Invoices exclusive of taxes or duties.
- 252.225–7079 Tax relief.
- 252.225–7080 Customs exemptions (Germany).
- 252.225–7081 Tax exemptions (Italy).
- 252.225–7082 Status of contractors as a direct contractor (Spain).
- 252.225–7083 Tax exemptions (Spain).
- 252.225–7084 Value added tax exclusion (United Kingdom).
- 252.225–7085 Verification of United States receipt of goods.
<table>
<thead>
<tr>
<th>Section</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>252.229-7008</td>
<td>Relief from import duty (United Kingdom).</td>
</tr>
<tr>
<td>252.229-7009</td>
<td>Relief from customs duty and value added tax on fuel (passenger vehicles) (United Kingdom).</td>
</tr>
<tr>
<td>252.229-7010</td>
<td>Relief from customs duty on fuel (United Kingdom).</td>
</tr>
<tr>
<td>252.231-7000</td>
<td>Supplemental cost principles.</td>
</tr>
<tr>
<td>252.232-7000</td>
<td>Advance payment pool.</td>
</tr>
<tr>
<td>252.232-7001</td>
<td>Disposition of payments.</td>
</tr>
<tr>
<td>252.232-7002</td>
<td>Progress payments for foreign military sales acquisitions.</td>
</tr>
<tr>
<td>252.232-7003</td>
<td>Electronic submission of payment requests and receiving reports.</td>
</tr>
<tr>
<td>252.232-7004</td>
<td>DoD progress payment rates.</td>
</tr>
<tr>
<td>252.232-7005</td>
<td>Reimbursement of subcontractor advance payments—DoD mentor-program.</td>
</tr>
<tr>
<td>252.232-7006</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.232-7008</td>
<td>Assignment of claims (overseas).</td>
</tr>
<tr>
<td>252.232-7009</td>
<td>Mandatory payment by Governmentwide commercial purchase card.</td>
</tr>
<tr>
<td>252.232-7010</td>
<td>Levies on contract payments.</td>
</tr>
<tr>
<td>252.233-7000</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.233-7001</td>
<td>Choice of law (overseas).</td>
</tr>
<tr>
<td>252.233-7002</td>
<td>Notice of Earned Value Management System.</td>
</tr>
<tr>
<td>252.234-7001</td>
<td>Notice of Earned Value Management System.</td>
</tr>
<tr>
<td>252.234-7002</td>
<td>Notice of Cost and Software Data Reporting System. (NOV 2010)</td>
</tr>
<tr>
<td>252.234-7004</td>
<td>Cost and Software Data Reporting System. (NOV 2010)</td>
</tr>
<tr>
<td>252.235-7002</td>
<td>Animal welfare.</td>
</tr>
<tr>
<td>252.235-7003</td>
<td>Frequency authorization.</td>
</tr>
<tr>
<td>252.235-7005—252.235-7009</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.235-7010</td>
<td>Acknowledgement of support and disclaimer.</td>
</tr>
<tr>
<td>252.236-7000</td>
<td>Modification proposals—price breakdown.</td>
</tr>
<tr>
<td>252.236-7001</td>
<td>Contract drawings and specifications.</td>
</tr>
<tr>
<td>252.236-7002</td>
<td>Obstruction of navigable waterways.</td>
</tr>
<tr>
<td>252.236-7003</td>
<td>Payment for mobilization and preparatory work.</td>
</tr>
<tr>
<td>252.236-7004</td>
<td>Payment for mobilization and demobilization.</td>
</tr>
<tr>
<td>252.236-7005</td>
<td>Airfield safety precautions.</td>
</tr>
<tr>
<td>252.236-7006</td>
<td>Cost limitation.</td>
</tr>
<tr>
<td>252.236-7007</td>
<td>Additive or deductive items.</td>
</tr>
<tr>
<td>252.236-7008</td>
<td>Contract prices—bidding schedules.</td>
</tr>
<tr>
<td>252.236-7009</td>
<td>Option for supervision and inspection services.</td>
</tr>
<tr>
<td>252.236-7011</td>
<td>Overseas architect-engineer services—Restriction to United States firms.</td>
</tr>
<tr>
<td>252.236-7012</td>
<td>Military construction on Kwajalein Atoll—evaluation preference.</td>
</tr>
<tr>
<td>252.236-7013</td>
<td>Requirement for competition opportunity for American steel producers, fabricators, and manufacturers.</td>
</tr>
<tr>
<td>252.237-7000</td>
<td>Notice of special standards of responsibility.</td>
</tr>
<tr>
<td>252.237-7001</td>
<td>Compliance with audit standards.</td>
</tr>
<tr>
<td>252.237-7002</td>
<td>Award to single offeror.</td>
</tr>
<tr>
<td>252.237-7003</td>
<td>Requirements.</td>
</tr>
<tr>
<td>252.237-7006</td>
<td>Subcontracting.</td>
</tr>
<tr>
<td>252.237-7007</td>
<td>Termination for default.</td>
</tr>
<tr>
<td>252.237-7008</td>
<td>Group interment.</td>
</tr>
<tr>
<td>252.237-7009</td>
<td>Permits.</td>
</tr>
<tr>
<td>252.237-7010</td>
<td>Prohibition on interrogation of detainees by contractor personnel.</td>
</tr>
<tr>
<td>252.237-7011</td>
<td>Preparation history.</td>
</tr>
<tr>
<td>252.237-7012</td>
<td>Instruction to offerors (count-of-articles).</td>
</tr>
<tr>
<td>252.237-7013</td>
<td>Instruction to offerors (bulk weight).</td>
</tr>
<tr>
<td>252.237-7014</td>
<td>Loss or damage (count-of-articles).</td>
</tr>
<tr>
<td>252.237-7015</td>
<td>Loss or damage (weight of articles).</td>
</tr>
<tr>
<td>252.237-7016</td>
<td>Delivery tickets.</td>
</tr>
<tr>
<td>252.237-7017</td>
<td>Individual laundry.</td>
</tr>
<tr>
<td>252.237-7018</td>
<td>Special definitions of Government property.</td>
</tr>
<tr>
<td>252.237-7019</td>
<td>Training for contractor personnel interacting with detainees.</td>
</tr>
<tr>
<td>252.237-7020—252.237-7021</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.237-7022</td>
<td>Services at installations being closed.</td>
</tr>
<tr>
<td>252.237-7023</td>
<td>Continuation of Essential Contractor Services.</td>
</tr>
<tr>
<td>252.237-7024</td>
<td>Notice of Continuation of Essential Contractor Services.</td>
</tr>
<tr>
<td>252.239-7000</td>
<td>Protection against compromising emanations.</td>
</tr>
<tr>
<td>252.239-7001</td>
<td>Information Assurance Contractor Training and Certification.</td>
</tr>
<tr>
<td>252.239-7002</td>
<td>Access.</td>
</tr>
<tr>
<td>252.239-7003</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.239-7004</td>
<td>Orders for facilities and services.</td>
</tr>
<tr>
<td>252.239-7005</td>
<td>Rates, charges, and services.</td>
</tr>
<tr>
<td>252.239-7006</td>
<td>Tariff information.</td>
</tr>
<tr>
<td>252.239-7007</td>
<td>Cancellation or termination of orders.</td>
</tr>
<tr>
<td>252.239-7008</td>
<td>Reuse arrangements.</td>
</tr>
<tr>
<td>252.239-7009—252.239-7010</td>
<td>[Reserved]</td>
</tr>
<tr>
<td>252.239-7011</td>
<td>Special construction and equipment charges.</td>
</tr>
<tr>
<td>252.239-7012</td>
<td>Title to telecommunication facilities and equipment.</td>
</tr>
<tr>
<td>252.239-7013</td>
<td>Obligation of the Government.</td>
</tr>
</tbody>
</table>
252.239–7014 Term of agreement.
252.239–7015 Continuation of communication service authorizations.
252.239–7016 Telecommunications security equipment, devices, techniques, and services.
252.241–7000 Superseding contract.
252.241–7001 Government access.
252.242–7000—252.242–7002 [Reserved]
252.242–7004 Material management and accounting system.
252.242–7005 Contractor business systems.
252.242–7006 Accounting system administration.
252.243–7000 [Reserved]
252.243–7001 Pricing of contract modifications.
252.244–7000 Subcontracts for commercial items and commercial components (DoD contracts).
252.244–7001 Contractor purchasing system administration.
252.245–7000 Government-furnished mapping, charting, and geodesy property.
252.245–7001 Tagging, labeling, and marking of government-furnished property.
252.245–7003 Contractor Property Management System Administration.
252.245–7004 Reporting, Reutilization, and Disposal.
252.246–7000 Material inspection and receiving report.
252.246–7001 Warranty of data.
252.246–7002 Warranty of construction (Germany).
252.246–7005 Notice of Warranty Tracking of Serialized Items.
252.246–7006 Warranty Tracking of Serialized Items.
252.247–7000 Hardship conditions.
252.247–7001 Price adjustment.
252.247–7002 Revision of prices.
252.247–7003 Pass-through of motor carrier fuel surcharge adjustment to the cost bearer.
252.247–7004 Indefinite quantities—fixed charges.
252.247–7005 Indefinite quantities—no fixed charges.
252.247–7006 Removal of contractor's employees.
252.247–7007 Liability and insurance.
252.247–7009 Award.
252.247–7010 Scope of contract.
252.247–7011 Period of contract.
252.247–7012 Ordering limitation.
252.247–7014 Demurrage.
252.247–7015 Requirements.
252.247–7016 Contractor liability for loss or damage.
252.247–7018 Subcontracting.
252.247–7019 Drayage.
252.247–7020 Additional services.
252.247–7021 Returnable containers other than cylinders.
252.247–7022 Representation of extent of transportation by sea.
252.247–7023 Transportation of supplies by sea.
252.247–7024 Notification of transportation of supplies by sea.
252.247–7025 Reflagging or repair work.
252.247–7026 Evaluation preference for use of domestic shipyards—applicable to acquisition of carriage by vessel for DoD cargo in the coastwise or noncontiguous trade.
252.247–7027 Riding gang member requirements.
252.249–7000 Special termination costs.
252.249–7001 [Reserved]
252.249–7002 Notification of anticipated contract termination or reduction.
252.251–7000 Ordering from Government supply sources.
252.251–7001 Use of Interagency Fleet Management System (IFMS) vehicles and related services.

SOURCE: 56 FR 36479, July 31, 1991, unless otherwise noted.

Subpart 252.1—Instructions for Using Provisions and Clauses

252.101 Using part 252.

(b) Numbering. (2) Provisions or clauses that supplement the FAR.

(ii)(B) DFARS provisions or clauses use a four digit sequential number in the 7000 series, e.g., –7000, –7001, –7002. Department or agency supplemental provisions or clauses use four digit sequential numbers in the 9000 series.

Subpart 252.2—Text of Provisions And Clauses

252.201–7000 Contracting officer's representative.

As prescribed in 201.602–70, use the following clause:
CONTRACTING OFFICER’S REPRESENTATIVE  
(DEC 1991) 

(a) Definition. Contracting officer’s representative means an individual designated in accordance with subsection 201.602–2 of the Defense Federal Acquisition Regulation Supplement and authorized in writing by the contracting officer to perform specific technical or administrative functions.

(b) If the Contracting Officer designates a contracting officer’s representative (COR), the Contractor will receive a copy of the written designation. It will specify the extent of the COR’s authority to act on behalf of the contracting officer. The COR is not authorized to make any commitments or changes that will affect price, quality, quantity, delivery, or any other term or condition of the contract.

(End of clause)


252.203–7000 Requirements Relating to Compensation of Former DoD Officials. 

As prescribed in 203.171–4, use the following clause:

REQUIREMENTS RELATING TO COMPENSATION OF FORMER DOD OFFICIALS (SEP 2011)

(a) Definition. Covered DoD official, as used in this clause, means an individual that—

(i) Leaves or left DoD service on or after January 28, 2008; and

(ii) Participated personally and substantially in an acquisition as defined in 41 U.S.C. 131 with a value in excess of $10 million, and serves or served—

(A) In an Executive Schedule position under subchapter H of chapter 53 of Title 5, United States Code; 

(B) In a position in the Senior Executive Service under subchapter VIII of chapter 53 of Title 5, United States Code; or

(C) In a general or flag officer position compensated at a rate of pay for grade O–7 or above under section 201 of Title 37, United States Code; or

(ii) Serves or served in DoD in one of the following positions: Program manager, deputy program manager, procuring contracting officer, administrative contracting officer, source selection authority, member of the source selection evaluation board, or chief of a financial or technical evaluation team for a contract in an amount in excess of $10 million.

(b) The Contractor shall not knowingly provide compensation to a covered DoD official within 2 years after the official leaves DoD service, without first determining that the official has sought and received, or has not received after 30 days of seeking, a written opinion from the appropriate DoD ethics counselor regarding the applicability of post-employment restrictions to the activities that the official is expected to undertake on behalf of the Contractor.

(c) Failure by the Contractor to comply with paragraph (b) of this clause may subject the Contractor to rescission of this contract, suspension, or debarment in accordance with 41 U.S.C. 2105(c).

(End of clause)

[74 FR 2469, Jan. 15, 2009, as amended at 76 FR 58137, September 20, 2011]

252.203–7001 Prohibition on persons convicted of fraud or other defense-contract-related felonies. 

As prescribed in 203.170–3, use the following clause:

PROHIBITION ON PERSONS CONVICTED OF FRAUD OR OTHER DEFENSE-CONTRACT-RELATED FELONIES (DEC 2008)

(a) Definitions. As used in this clause—

(1) Arising out of a contract with the DoD means any act in connection with—

(i) Attempting to obtain; 

(ii) Obtaining; or

(iii) Performing a contract or first-tier subcontract of any agency, department, or component of the Department of Defense (DoD).

(2) Conviction of fraud or any other felony means any conviction for fraud or a felony in violation of state or Federal criminal statutes, whether entered on a verdict or plea, including a plea of nolo contendere, for which sentence has been imposed.

(3) Date of conviction means the date judgment was entered against the individual.

(b) Any individual who is convicted after September 29, 1988, of fraud or any other felony arising out of a contract with the DoD is prohibited from serving—

(1) In a management or supervisory capacity on this contract; 

(2) On the board of directors of the Contractor; 

(3) As a consultant, agent, or representative for the Contractor; or

(4) In any other capacity with the authority to influence, advise, or control the decisions of the Contractor with regard to this contract.

(c) Unless waived, the prohibition in paragraph (b) of this clause applies for not less than 5 years from the date of conviction.

(d) 10 U.S.C. 2408 provides that the Contractor shall be subject to a criminal penalty of not more than $500,000 if convicted of knowingly—
Defense Acquisition Regulations System, DOD 252.203–7004

(1) Employing a person under a prohibition specified in paragraph (b) of this clause; or
(2) Allowing such a person to serve on the board of directors of the contractor or first-tier subcontractor.

(e) In addition to the criminal penalties contained in 10 U.S.C. 2408, the Government may consider other available remedies, such as:

(1) Suspension or debarment;
(2) Cancellation of the contract at no cost to the Government; or
(3) Termination of the contract for default.

(f) The Contractor may submit written requests for waiver of the prohibition in paragraph (b) of this clause to the Contracting Officer. Requests shall clearly identify:

(1) The person involved;
(2) The nature of the conviction and resultant sentence or punishment imposed;
(3) The reasons for the requested waiver; and
(4) An explanation of why a waiver is in the interest of national security.

(g) The Contractor agrees to include the substance of this clause, appropriately modified to reflect the identity and relationship of the parties, in all first-tier subcontracts exceeding the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation, except those for commercial items or components.

(h) Pursuant to 10 U.S.C. 2408(c), defense contractors and subcontractors may obtain information as to whether a particular person has been convicted of fraud or any other felony arising out of a contract with the DoD by contacting The Office of Justice Programs, The Denial of Federal Benefits Office, U.S. Department of Justice, telephone (301) 937–1542; www.ojp.usdoj.gov/BJA/grant/DPPC.html.

(End of clause)


252.203–7002 Requirement to Inform Employees of Whistleblower Rights.

As prescribed in 203.970, use the following clause:

REQUIREMENT TO INFORM EMPLOYEES OF WHISTLEBLOWER RIGHTS (JAN 2009)

The Contractor shall inform its employees in writing of employee whistleblower rights and protections under 10 U.S.C. 2409, as described in Subpart 203.9 of the Defense Federal Acquisition Regulation Supplement.

(End of clause)

[74 FR 2411, Jan. 15, 2009]


As prescribed in 203.1004(a), use the following clause:

AGENCY OFFICE OF THE INSPECTOR GENERAL (SEP 2010)

The agency office of the Inspector General referenced in paragraphs (c) and (d) of FAR clause 52.203–13, Contractor Code of Business Ethics and Conduct, is the DoD Office of the Inspector General at the following address:


(End of clause)

[75 FR 59101, Sept. 27, 2010]

252.203–7004 Display of fraud hotline poster(s).

As prescribed in 203.1004(b)(2)(ii), use the following clause:

Display of Fraud Hotline Poster(s) (Sep 2011)
(a) Definition. United States, as used in this clause, means the 50 States, the District of Columbia, and outlying areas.
(b) Display of fraud hotline poster(s).
(1) The Contractor shall display prominently in common work areas within business segments performing work in the United States under Department of Defense (DoD) contracts DoD fraud hotline posters prepared by the DoD Office of the Inspector General. DoD fraud hotline posters may be obtained from the DoD Inspector General, Attn: Defense Hotline, 400 Army Navy Drive, Washington, DC 22202–2884.
(2) If the contract is funded, in whole or in part, by Department of Homeland Security (DHS) disaster relief funds, the DHS fraud hotline poster shall be displayed in addition to the DoD fraud hotline poster. If a display of a DHS fraud hotline poster is required, the Contractor may obtain such poster from:

[Contracting Officer shall insert the appropriate DHS contact information or website.]
(3) Additionally, if the Contractor maintains a company website as a method of providing information to employees, the Contractor shall display an electronic version of the poster(s) at the website.
(c) Subcontracts. The Contractor shall include the substance of this clause, including
252.204–7000 Disclosure of information.

As prescribed in 204.404–70(a), use the following clause:

DISCLOSURE OF INFORMATION (DEC 1991)

(a) The Contractor shall not release to anyone outside the Contractor’s organization any unclassified information, regardless of medium (e.g., film, tape, document), pertaining to any part of this contract or any program related to this contract, unless—

(1) The Contracting Officer has given prior written approval; or

(2) The information is otherwise in the public domain before the date of release.

(b) Requests for approval shall identify the specific information to be released, the medium to be used, and the purpose for the release. The Contractor shall submit its request to the Contracting Officer at least 45 days before the proposed date for release.

(c) The Contractor agrees to include a similar requirement in each subcontract under this contract. Subcontractors shall submit requests for authorization to release through the prime contractor to the Contracting Officer.

(End of clause)

252.204–7002 Payment for subline items not separately priced.

As prescribed in 204.7104–1(b)(3)(iv), use the following clause:

PAYMENT FOR SUBLINE ITEMS NOT SEPARATELY PRICED (DEC 1991)

(a) If the schedule in this contract contains any contract subline items or exhibit subline items identified as not separately priced (NSP), it means that the unit price for that subline item is included in the unit price of another, related line or subline item.

(b) The Contractor shall not invoice the Government for any portion of a contract line item or exhibit line item which contains an NSP until—

(1) The Contractor has delivered the total quantity of all related contract subline items or exhibit subline items; and

(2) The Government has accepted them.

(c) This clause does not apply to technical data.

(End of clause)

252.204–7003 Control of government personnel work product.

As prescribed in 204.404–70(b), use the following clause:

CONTROL OF GOVERNMENT PERSONNEL WORK PRODUCT (APR 1992)

The Contractor’s procedures for protecting against unauthorized disclosure of information shall not require Department of Defense employees or members of the Armed Forces to relinquish control of their work products, whether classified or not, to the contractor.

(End of clause)
252.204–7004 Alternate A, Central Contractor Registration.

ALTERNATE A, CENTRAL CONTRACTOR REGISTRATION (SEP 2007)

As prescribed in 204.1104, substitute the following paragraph (a) for paragraph (a) of the clause at FAR 52.204–7:

(a) Definitions. As used in this clause—

"Central Contractor Registration (CCR) database" means the primary Government repository for contractor information required for the conduct of business with the Government.

"Commercial and Government Entity (CAGE) code" means—

(1) A code assigned by the Defense Logistics Information Service (DLIS) to identify a commercial or Government entity; or

(2) A code assigned by a member of the North Atlantic Treaty Organization that DLIS records and maintains in the CAGE master file. This type of code is known as an "NCAGE code."

"Data Universal Numbering System (DUNS) number" means the 9-digit number assigned by Dun and Bradstreet, Inc. (D&B) to identify unique business entities.

"Data Universal Numbering System +4 (DUNS+4) number" means the DUNS number assigned by D&B plus a 4-character suffix that may be assigned by a business concern. (D&B has no affiliation with this 4-character suffix.) This 4-character suffix may be assigned at the discretion of the business concern to establish additional CCR records for identifying alternative Electronic Funds Transfer (EFT) accounts (see Subpart 32.11 of the Federal Acquisition Regulation) for the same parent concern.

"Registered in the CCR database" means that—

(1) The Contractor has entered all mandatory information, including the DUNS number or the DUNS+4 number, into the CCR database;

(2) The Contractor’s CAGE code is in the CCR database; and

(3) The Government has validated all mandatory data fields, to include validation of the Taxpayer Identification Number (TIN) with the Internal Revenue Service, and has marked the records “Active.” The Contractor will be required to provide consent for TIN validation to the Government as part of the CCR registration process.

(End of clause)


252.204–7006 Billing Instructions.

As prescribed in 204.7109, use the following clause:

BILLING INSTRUCTIONS (OCT 2005)

When submitting a request for payment, the Contractor shall—

(a) Identify the contract line item(s) on the payment request that reasonably reflect contract work performance; and

(b) Separately identify a payment amount for each contract line item included in the payment request.

(End of clause)

[70 FR 58683, Oct. 11, 2005]

252.204–7007 Alternate A, Annual Representations and Certifications.

As prescribed in 204.1202, use the following provision:

ALTERNATE A, ANNUAL REPRESENTATIONS AND CERTIFICATIONS (SEP 2011)

Substitute the following paragraphs (d) and (e) for paragraph (d) of the provision at FAR 52.204–8:

(d)(1) The following representations or certifications in ORCA are applicable to this solicitation as indicated:

(i) 252.209–7001, Disclosure of Ownership or Control by the Government of a Terrorist...
252.204-7008  Export-Controlled Items.

As prescribed in 204.7304, use the following clause:

**EXPORT-CONTROLLED ITEMS (APR 2010)**

(a) Definition. Export-controlled items, as used in this clause, means items subject to the Export Administration Regulations (EAR) (15 CFR parts 730–774) or the International Traffic in Arms Regulations (ITAR) (22 CFR parts 120–130). The term includes:

(1) Defense items, defined in the Arms Export Control Act, 22 U.S.C. 2778(j)(4)(A), as defense articles, defense services, and related technical data, and further defined in the ITAR, 22 CFR part 120.

(2) Items, defined in the EAR as “commodities, software, and technology,” terms that are also defined in the EAR, 15 CFR 721.

(b) The Contractor shall comply with all applicable laws and regulations regarding export-controlled items, including, but not limited to, the requirement for Contractors to register with the Department of State in accordance with the ITAR. The Contractor shall consult with the Department of State regarding any questions relating to compliance with the ITAR.

Any changes provided by the offeror are applicable to this solicitation only, and do not result in an update to the representations and certifications posted on ORCA.

(End of provision)

[76 FR 58141, Sept. 20, 2011]
Defense Acquisition Regulations System, DOD

252.204–7010

(c) The Contractor’s responsibility to comply with all applicable laws and regulations regarding export-controlled items exists independent of, and is not established or limited by, the information provided by this clause.

(d) Nothing in the terms of this contract adds to, changes, supersedes, or waives any of the requirements of applicable Federal laws, Executive orders, and regulations, including but not limited to—

(1) The Export Administration Act of 1979, as amended (50 U.S.C. App. 2401, et seq.);

(2) The Arms Export Control Act (22 U.S.C. 2751, et seq.);


(4) The Export Administration Regulations (15 CFR parts 730–774);

(5) The International Traffic in Arms Regulations (22 CFR parts 120–130); and

(6) Executive Order 13222, as extended.

(e) The Contractor shall include the substance of this clause, including this paragraph (e), in all subcontracts.

(End of clause)

[75 FR 18034, Apr. 8, 2010]

252.204–7009 [Reserved]

252.204–7010 Requirement for Contractor to Notify DoD if the Contractor’s Activities are Subject to Reporting Under the U.S.-International Atomic Energy Agency Additional Protocol.

As prescribed in 204.470–3, use the following clause:

REQUIREMENT FOR CONTRACTOR TO NOTIFY DOD IF THE CONTRACTOR’S ACTIVITIES ARE SUBJECT TO REPORTING UNDER THE U.S.-INTERNATIONAL ATOMIC ENERGY AGENCY ADDITIONAL PROTOCOL (JAN 2009)

(a) If the Contractor is required to report any of its activities in accordance with Department of Commerce regulations (15 CFR part 781 et seq.) or Nuclear Regulatory Commission regulations (10 CFR part 75) in order to implement the declarations required by the U.S.-International Atomic Energy Agency Additional Protocol (U.S.-IAEA AP), the Contractor shall—

(1) Immediately provide written notification to the following DoD Program Manager: [Contracting Officer to insert Program Manager’s name, mailing address, e-mail address, telephone number, and facsimile number];

(2) Include in the notification—

(i) Where DoD contract activities or information are located relative to the activities or information to be declared to the Department of Commerce or the Nuclear Regulatory Commission; and

(ii) If or when any current or former DoD contract activities and the activities to be declared to the Department of Commerce or the Nuclear Regulatory Commission have been or will be co-located or located near enough to one another to result in disclosure of the DoD activities during an IAEA inspection or visit; and

(3) Provide a copy of the notification to the Contracting Officer.

(b) After receipt of a notification submitted in accordance with paragraph (a) of this clause, the DoD Program Manager will—

(1) Conduct a security assessment to determine if and by what means access may be granted to the IAEA; or

(2) Provide written justification to the component or agency treaty office for a national security exclusion, in accordance with DoD Instruction 2060.03, Application of the National Security Exclusion to the Agreements Between the United States of America and the International Atomic Energy Agency for the Application of Safeguards in the United States of America. DoD will notify the Contractor if a national security exclusion is applied at the Contractor’s location to prohibit access by the IAEA.

(c) If the DoD Program Manager determines that a security assessment is required—

(1) DoD will, at a minimum—

(i) Notify the Contractor that DoD officials intend to conduct an assessment of vulnerabilities to IAEA inspections or visits;

(ii) Notify the Contractor of the time at which the assessment will be conducted, at least 30 days prior to the assessment;

(iii) Provide a copy of the notification to the Contractor with advance notice of the credentials of the DoD officials who will conduct the assessment; and

(iv) To the maximum extent practicable, conduct the assessment in a manner that does not impede or delay operations at the Contractor’s facility; and

(2) The Contractor shall provide access to the site and shall cooperate with DoD officials in the assessment of vulnerabilities to IAEA inspections or visits.

(d) Following a security assessment of the Contractor’s facility, DoD officials will notify the Contractor as to—

(1) Whether the Contractor’s facility has any vulnerabilities where potentially declarable activities under the U.S.-IAEA AP are taking place;

(2) Whether additional security measures are needed; and

(3) Whether DoD will apply a national security exclusion.

(e) If DoD applies a national security exclusion, the Contractor shall not grant access to IAEA inspectors.

(f) If DoD does not apply a national security exclusion, the Contractor shall apply
managed access to prevent disclosure of program activities, locations, or information in the U.S. declaration.

(g) The Contractor shall not delay submission of any reports required by the Department of Commerce or the Nuclear Regulatory Commission while awaiting a DoD response to a notification provided in accordance with this clause.

(h) The Contractor shall incorporate the substance of this clause, including this paragraph (h), in all subcontracts that are subject to the provisions of the U.S.-IAEA AP.

(End of clause)

[74 FR 2412, Jan. 15, 2009]

252.204-7011 Alternative Line Item Structure.

As prescribed in 204.7109(b), insert the following provision:

ALTERNATIVE LINE-ITEM STRUCTURE (SEP 2011)

(a) Line items are the basic structural elements in a solicitation or contract that provide for the organization of contract requirements to facilitate pricing, delivery, inspection, acceptance and payment. Line items are organized into contract line items, subline items, and exhibit line items. Separate line items should be established to account for separate pricing, identification (see section 211.274 of the Defense Federal Acquisition Regulation Supplement), deliveries, or funding. The Government recognizes that the line item structure in this solicitation may not conform to every offeror’s practices. Failure to correct these issues can result in difficulties in accounting for deliveries and processing payments. Therefore, offerors are invited to propose an alternative line item structure for items on which bids, proposals, or quotes are requested in this solicitation to ensure that the resulting contract structure is economically and administratively advantageous to the Government and the Contractor.

(b) If an alternative line item structure is proposed, the structure must be consistent with subpart 204.71 of the Defense Federal Acquisition Regulation Supplement and PGI 204.71. A sample solicitation line-item structure and a corresponding offer of a proposed alternative line-item structure follow.

Solicitation:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Supplies/Service</th>
<th>Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>Computer, Desktop with CPU, Monitor, Keyboard and Mouse.</td>
<td>20</td>
<td>EA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Alternative line-item structure offer where monitors are shipped separately:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Supplies/Service</th>
<th>Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>Computer, Desktop with CPU, Keyboard and Mouse.</td>
<td>20</td>
<td>EA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>Monitor</td>
<td>20</td>
<td>EA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(End of provision)

[76 FR 58139, Sept. 20, 2011]

252.205–7000 Provision of information to cooperative agreement holders.

As prescribed in 205.470, use the following clause:

PROVISION OF INFORMATION TO COOPERATIVE AGREEMENT HOLDERS (DEC 1991)

(a) Definition. Cooperative agreement holder means a State or local government; a private, nonprofit organization; a tribal organization (as defined in section 4(c) of the Indian Self-Determination and Education Assistance Act (Pub. L. 93-386; 25 U.S.C. 450(c))); or an economic enterprise (as defined in section 3(e) of the Indian Financing Act of 1974 (Pub. L. 93-362; 25 U.S.C. 1452(e))) whether such economic enterprise is organized for profit or nonprofit purposes; which has an agreement with the Defense Logistics Agency to furnish procurement technical assistance to business entities.

(b) The Contractor shall provide cooperative agreement holders, upon their request, with a list of those appropriate employees or offices responsible for entering into subcontracts under defense contracts. The list shall include the business address, telephone number, and area of responsibility of each employee or office.

(c) The Contractor need not provide the listing to a particular cooperative agreement holder more frequently than once a year.
252.206–7000 Domestic source restriction.

As prescribed at 206.302–3–70, use the following provision:

DOMESTIC SOURCE RESTRICTION (DEC 1991)

This solicitation is restricted to domestic sources under the authority of 10 U.S.C. 2304(c)(3). Foreign sources, except Canadian sources, are not eligible for award.

(End of provision)

252.208–7000 Intent to furnish precious metals as Government-furnished material.

As prescribed in 208.7305(a), use the following clause:

INTENT TO FURNISH PRECIOUS METALS AS GOVERNMENT-FURNISHED MATERIAL (DEC 1991)

(a) The Government intends to furnish precious metals required in the manufacture of items to be delivered under the contract if the Contracting Officer determines it to be in the Government’s best interest. The use of Government-furnished silver is mandatory when the quantity required is one hundred troy ounces or more. The precious metal(s) will be furnished pursuant to the Government Furnished Property clause of the contract.

(b) The Offeror shall cite the type (silver, gold, platinum, palladium, iridium, rhodium, and ruthenium) and quantity in whole troy ounces of precious metals required in the performance of this contract (including precious metals required for any first article or production sample), and shall specify the national stock number (NSN) and nomenclature, if known, of the deliverable item requiring precious metals.

<table>
<thead>
<tr>
<th>Precious metal*</th>
<th>Quantity</th>
<th>Deliverable item (NSN and nomenclature)[troy]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If platinum or palladium, specify whether sponge or granules are required.

(c) Offerors shall submit two prices for each deliverable item which contains precious metals—one based on the Government furnishing precious metals, and one based on the Contractor furnishing precious metals. Award will be made on the basis which is in the best interest of the Government.

(d) The Contractor agrees to insert this clause, including this paragraph (d), in solicitations for subcontracts and purchase orders issued in performance of this contract, unless the Contractor knows that the item being purchased contains no precious metals.

(End of clause)

252.209–7000 [Reserved]

252.209–7001 Disclosure of ownership or control by the government of a terrorist country.

As prescribed in 209.104–70(a), use the following provision:

DISCLOSURE OF OWNERSHIP OR CONTROL BY THE GOVERNMENT OF A TERRORIST COUNTRY (JAN 2009)

(a) Definitions. As used in this provision—

(1) Government of a terrorist country includes the state and the government of a terrorist country, as well as any political subdivision, agency, or instrumentality thereof.

(2) Terrorist country means a country determined by the Secretary of State, under section 6(j)(1)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)(A)), to be a country the government of which has repeatedly provided support for acts of international terrorism. As of the date of this provision, terrorist countries subject to this provision include: Cuba, Iran, Sudan, and Syria.

(3) Significant interest means—

(i) Ownership of or beneficial interest in 5 percent or more of the firm’s or subsidiary’s securities. Beneficial interest includes holding 5 percent or more of any class of the firm’s securities in “nominee shares,” “street names,” or some other method of holding securities that does not disclose the beneficial owner;

(ii) Holding a management position in the firm, such as a director or officer;

(iii) Ability to control or influence the election, appointment, or tenure of directors or officers in the firm;

(iv) Ownership of 10 percent or more of the assets of a firm such as equipment, buildings, real estate, or other tangible assets of the firm; or

(v) Holding 50 percent or more of the indebtedness of a firm.

(b) Prohibition on award. In accordance with 10 U.S.C. 2327, no contract may be awarded to a firm or a subsidiary of a firm if the government of a terrorist country has a significant interest in the firm or subsidiary or, in the case of a subsidiary, the firm that owns the subsidiary, unless a waiver is granted by the Secretary of Defense.

(c) Disclosure. If the government of a terrorist country has a significant interest in the Offeror or a subsidiary of the Offeror, the
Offeror shall disclose such interest in an attachment to its offer. If the Offeror is a subsidiary, it shall also disclose any significant interest the government of a terrorist country has in any firm that owns or controls the subsidiary. The disclosure shall include—

1. Identification of each government holding a significant interest; and
2. A description of the significant interest held by each government.

(End of provision)


252.209–7002 Disclosure of ownership or control by a foreign government.

As prescribed in 209.104–70(b), use the following provision:

DISCLOSURE OF OWNERSHIP OR CONTROL BY A FOREIGN GOVERNMENT (JUN 2010)

(a) Definitions. As used in this provision—

1. Effectively owned or controlled means that a foreign government or any entity controlled by a foreign government has the power, either directly or indirectly, whether exercised or exercisable, to control the election, appointment, or tenure of the Offeror's officers or a majority of the Offeror's board of directors by any means, e.g., ownership, contract, or operation of law (or equivalent power for unincorporated organizations).

2. Entity controlled by a foreign government—

(i) Means—

(A) Any domestic or foreign organization or corporation that is effectively owned or controlled by a foreign government; or

(B) Any individual acting on behalf of a foreign government.

(ii) Does not include an organization or corporation that is owned, but is not controlled, either directly or indirectly, by a foreign government if the ownership of that organization or corporation by that foreign government was effective before October 23, 1992.

3. Foreign government includes the state and the government of any country (other than the United States and its outlying areas) as well as any political subdivision, agency, or instrumentality thereof.

(b) Prescribed information means—

1. Top Secret information;

2. Communications security (COMSEC) material, excluding controlled cryptographic items when unkeyed or utilized with unclassified keys;

3. Restricted Data as defined in the U.S. Atomic Energy Act of 1954, as amended; and

4. Special Access Program (SAP) information; or

(v) Sensitive Compartmented Information (SCI).

(b) Prohibition on award. No contract under a national security program may be awarded to an entity controlled by a foreign government if that entity requires access to prescribed information to perform the contract, unless the Secretary of Defense or a designee has waived application of 10 U.S.C. 2536(a).

(c) Disclosure. The Offeror shall disclose any interest a foreign government has in the Offeror when that interest constitutes control by a foreign government as defined in this provision. If the Offeror is a subsidiary, it shall also disclose any reportable interest a foreign government has in any entity that owns or controls the subsidiary, including reportable interest concerning the Offeror's immediate parent, intermediate parents, and the ultimate parent. Use separate paper as needed, and provide the information in the following format: Offeror's Point of Contact for Questions about Disclosure (Name and Phone Number with Country Code, City Code and Area Code, as applicable)

Name and Address of Offeror.

Name and Address of Entity Controlled by a Foreign Government.

Description of Interest, Ownership Percentage, and Identification of Foreign Government.

(End of provision)


252.209–7003 [Reserved]

252.209–7004 Subcontracting with firms that are owned or controlled by the government of a terrorist country.

As prescribed in 209.409, use the following clause:

SUBCONTRACTING WITH FIRMS THAT ARE OWNED OR CONTROLLED BY THE GOVERNMENT OF A TERRORIST COUNTRY (DEC 2006)

(a) Unless the Government determines that there is a compelling reason to do so, the Contractor shall not enter into any subcontract in excess of $30,000 with a firm, or a subsidiary of a firm, that is identified in the Excluded Parties List System as being ineligible for the award of Defense contracts or subcontracts because it is owned or controlled by the government of a terrorist country.
Defense Acquision Regulations System, DOD 252.209–7006

(b) A corporate officer or a designee of the Contractor shall notify the Contracting Officer, in writing, before entering into a subcontract with a party that is identified, on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs, as being ineligible for the award of Defense contracts or subcontracts because it is owned or controlled by the government of a terrorist country. The notice must include the name of the proposed subcontractor and the compelling reason(s) for doing business with the subcontractor notwithstanding its inclusion on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

(End of clause)


252.209–7005 Reserve Officer Training Corps and military recruiting on campus.

As prescribed in 209.470–4, use the following clause:

RESERVE OFFICER TRAINING CORPS AND MILITARY RECRUITING ON CAMPUS (JAN 2000)

(a) Definition. "Institution of higher education," as used in this clause, means an institution that meets the requirements of 20 U.S.C. 1001 and includes all subelements of such an institution.

(b) Limitation on contract award. Except as provided in paragraph (c) of this clause, an institution of higher education is ineligible for contract award if the Secretary of Defense determines that the institution has a policy or practice (regardless of when implemented) that prohibits or in effect prevents—

1. The Secretary of a military department from maintaining, establishing, or operating a unit of the Senior Reserve Officer Training Corps (ROTC) (in accordance with 10 U.S.C. 654 and other applicable Federal laws) at that institution;
2. A student at that institution from enrolling in a unit of the Senior ROTC at another institution of higher education;
3. The Secretary of a military department or the Secretary of Transportation from gaining entry to campuses, or access to students (who are 17 years of age or older) on campuses, for purposes of military recruiting; or
4. Military recruiters from accessing, for purposes of military recruiting, the following information pertaining to students (who are 17 years of age or older) enrolled at that institution:
   i. Name.
   ii. Address.
   iii. Telephone number.
   iv. Date and place of birth.
   v. Educational level.
   vi. Academic major.
   vii. Degrees received.
   viii. Most recent educational institution enrollment.

(c) Exception. The limitation in paragraph (b) of this clause does not apply to an institution of higher education if the Secretary of Defense determines that—

1. The institution has ceased the policy or practice described in paragraph (b) of this clause; or
2. The institution has a long-standing policy of pacifism based on historical religious affiliation.

(d) Agreement. The Contractor represents that it does not now have, and agrees that during performance of this contract it will not adopt, any policy or practice described in paragraph (b) of this clause, unless the Secretary of Defense has granted an exception in accordance with paragraph (c)(2) of this clause.

(e) Notwithstanding any other clause of this contract, if the Secretary of Defense determines that the Contractor misrepresented its policies and practices at the time of contract award or has violated the agreement in paragraph (d) of this clause—

1. The Contractor will be ineligible for further payments under this contract and other contracts with the Department of Defense; and
2. The Government will terminate this contract for default for the Contractor's material failure to comply with the terms and conditions of award.

(End of clause)

[65 FR 2057, Jan. 13, 2000]

252.209–7006 Limitations on Contractors Acting as Lead System Integrators.

As prescribed in 209.570–4(a), use the following provision:

LIMITATIONS ON CONTRACTORS ACTING AS LEAD SYSTEM INTEGRATORS (JAN 2008)

(a) Definitions. Lead system integrator, lead system integrator with system responsibility, and lead system integrator without system responsibility, as used in this provision, have the meanings given in the clause of this solicitation entitled "Prohibited Financial Interests for Lead System Integrators" (DFARS 252.209–7007).

(b) General. Unless an exception is granted, no contractor performing lead system integrator functions in the acquisition of a major system by the Department of Defense may have any direct financial interest in the development or construction of any individual system or element of any system of systems.
252.209–7007

(c) Representations. (1) The offeror represents that it does [ ] does not [ ] propose to perform this contract as a lead system integrator with system responsibility.

(2) The offeror represents that it does [ ] does not [ ] propose to perform this contract as a lead system integrator without system responsibility.

(3) If the offeror answered in the affirmative in paragraph (c)(1) or (2) of this provision, the offeror represents that it does [ ] does not [ ] have any direct financial interest as described in paragraph (b) of this provision with respect to the system(s), subsystem(s), system of systems, or services described in this solicitation.

(d) If the offeror answered in the affirmative in paragraph (c)(3) of this provision, the offeror should contact the Contracting Officer for guidance on the possibility of submitting a mitigation plan and/or requesting an exception.

(e) If the offeror does have a direct financial interest, the offeror may be prohibited from receiving an award under this solicitation, unless the offeror submits to the Contracting Officer appropriate evidence that the offeror was selected by a subcontractor to serve as a lower-tier subcontractor through a process over which the offeror exercised no control.


(End of clause)

[73 FR 1825, Jan. 10, 2007]


As prescribed in 209.570–4(b), use the following clause:

PROHIBITED FINANCIAL INTERESTS FOR LEAD SYSTEM INTEGRATORS (JUL 2009)

(a) Definitions. As used in this clause—

(1) Lead system integrator includes lead system integrator with system responsibility and lead system integrator without system responsibility.

(2) Lead system integrator with system responsibility means a prime contractor for the development or production of a major system, if the prime contractor is not expected at the time of award to perform a substantial portion of the work on the system and the major subsystems.

(3) Lead system integrator without system responsibility means a prime contractor under a contract as a lead system integrator with system responsibility.

(b) Limitations. The Contracting Officer has determined that the Contractor meets the definition of lead system integrator with [ ] without [ ] system responsibility. Unless an exception is granted, the Contractor shall not have any direct financial interest in the development or construction of any individual system or element of any system of systems while performing lead system integrator functions in the acquisition of a major system by the Department of Defense under this contract.

(c) Agreement. The Contractor agrees that during performance of this contract it will not acquire any direct financial interest as described in paragraph (b) of this clause, or, if it does acquire or plan to acquire such interest, it will immediately notify the Contracting Officer. The Contractor further agrees to provide to the Contracting Officer all relevant information regarding the change in financial interests so that the Contracting Officer can determine whether an exception applies or whether the Contractor will be allowed to continue performance on this contract. If a direct financial interest cannot be avoided, eliminated, or mitigated to the Contracting Officer’s satisfaction, the Contracting Officer may terminate this contract for default for the Contractor’s material failure to comply with the terms and conditions of award or may take other remedial measures as appropriate in the Contracting Officer’s sole discretion.

(d) Notwithstanding any other clause of this contract, if the Contracting Officer determines that the Contractor misrepresented its financial interests at the time of award or has violated the agreement in paragraph (c) of this clause, the Government may terminate this contract for default for the Contractor’s material failure to comply with the terms and conditions of award or may take other remedial measures as appropriate in the Contracting Officer’s sole discretion.


(End of clause)

Defense Acquisition Regulations System, DOD

252.209-7008 Notice of Prohibition Relating to Organizational Conflict of Interest—Major Defense Acquisition Program.

As prescribed in 209.571–8(a), use the following provision:

NOTICE OF PROHIBITION RELATING TO ORGANIZATIONAL CONFLICT OF INTEREST—MAJOR DEFENSE ACQUISITION PROGRAM (DEC 2010)

(a) Definitions. “Major subcontractor” is defined in the clause at 252.209–7009, Organizational Conflict of Interest—Major Defense Acquisition Program.

(b) This solicitation is for the performance of systems engineering and technical assistance for a major defense acquisition program or a pre-major defense acquisition program.

(c) Prohibition. As required by paragraph (b)(3) of section 207 of the Weapons System Acquisition Reform Act of 2009 (Pub. L. 111–23), if awarded the contract, the contractor or any affiliate of the contractor is prohibited from participating as a prime contractor or major subcontractor in the development or production of a weapon system under the major defense acquisition program or pre-major defense acquisition program, unless the offeror submits, and the Government approves, an Organizational Conflict of Interest Mitigation Plan.

(d) Request for an exception. If the offeror requests an exception to the prohibition of paragraph (c) of this provision, then the offeror shall submit an Organizational Conflict of Interest Mitigation Plan with its offer for evaluation.

(e) Incorporation of Organizational Conflict of Interest Mitigation Plan in contract. If the apparently successful offeror submitted an acceptable Organizational Conflict of Interest Mitigation Plan, and the head of the contracting activity determines that DoD needs the domain experience and expertise of the highly qualified, apparently successful offeror in accordance with FAR 209.571–7(c), then the Contracting Officer will incorporate the Organizational Conflict of Interest Mitigation Plan into the resultant contract, and paragraph (d) of the clause at 252.209–7009 will become applicable.

(End of clause)


As prescribed in 209.270–5, use the following clause:

CRITICAL SAFETY ITEMS (AUG 2011)

(a) Definitions. "Aviation critical safety item" means a part, an assembly, installation equipment, launch equipment, recovery equipment, or support equipment for an aircraft or aviation weapon system if the part, assembly, or equipment contains a characteristic any failure, malfunction, or absence of which could cause—
(i) A catastrophic or critical failure resulting in the loss of, or serious damage to, the aircraft or weapon system;
(ii) An unacceptable risk of personal injury or loss of life; or
(iii) An uncommanded engine shutdown that jeopardizes safety.

Design control activity. (i) With respect to an aviation critical safety item, means the systems command of a military department that is specifically responsible for ensuring the airworthiness of an aviation system or equipment, in which an aviation critical safety item is to be used; and
(ii) With respect to a ship critical safety item, means the systems command of a military department that is specifically responsible for ensuring the seaworthiness of a ship or ship equipment, in which a ship critical safety item is to be used.

Ship critical safety item means any ship part, assembly, or support equipment containing a characteristic, the failure, malfunction, or absence of which could cause—
(i) A catastrophic or critical failure resulting in loss of, or serious damage to, the ship; or
(ii) An unacceptable risk of personal injury or loss of life.

(b) Identification of critical safety items. One or more of the items being procured under this contract is an aviation or ship critical safety item. The following items have been designated aviation critical safety items or ship critical safety items by the designated design control activity:

(Insert additional lines as necessary)

(c) Heightened quality assurance surveillance. Items designated in paragraph (b) of this clause are subject to heightened, risk-based surveillance by the designated quality assurance representative.

(End of clause)

[76 FR 52139, Aug. 19, 2011]

252.211–7000 Acquisition streamlining. As prescribed in 211.002–70, use the following clause:

ACQUISITION STREAMLINING (OCT 2010)

(a) The Government’s acquisition streamlining objectives are to:
(1) Acquire systems that meet stated performance requirements;
(2) Avoid over-specification; and
(3) Ensure that cost effective requirements are included in future acquisitions.
(b) The Contractor shall—

(1) Prepare and submit acquisition streamlining recommendations in accordance with the statement of work of this contract; and
(2) Format and submit the recommendations as prescribed by data requirements on the contract data requirements list of this contract.
(c) The Government has the right to accept, modify, or reject the Contractor’s recommendations.
(d) The Contractor shall insert this clause, including this paragraph (d), in all subcontracts over $1.5 million, awarded in the performance of this contract.

(End of clause)


252.211–7001 Availability of Specifications, Standards, and Data Item Descriptions Not Listed in the Acquisition Streamlining and Standardization Information System (ASSIST), and Plans, Drawings, and Other Pertinent Documents. Availability of specifications and standards Not listed in DODISS, data item descriptions Not listed in DoD 5010.12-L, and plans, drawings, and other pertinent documents.

As prescribed in 211.204(c), use the following provision:

AVAILABILITY OF SPECIFICATIONS, STANDARDS, AND DATA ITEM DESCRIPTIONS NOT LISTED IN THE ACQUISITION STREAMLINING AND STANDARDIZATION INFORMATION SYSTEM (ASSIST), AND PLANS, DRAWINGS, AND OTHER PERTINENT DOCUMENTS (MAY 2006)

Offerors may obtain the specifications, standards, plans, drawings, data item descriptions, and other pertinent documents cited in this solicitation by submitting a request to:

(Activity)

(Complete Address)

Include the number of the solicitation and the title and number of the specification, standard, plan, drawing, or other pertinent document.

(End of provision)

252.211-7002 Availability for examination of specifications, standards, plans, drawings, data item descriptions, and other pertinent documents.

As prescribed in 211.204(c), use the following provision:

AVAILABILITY FOR EXAMINATION OF SPECIFICATIONS, STANDARDS, PLANS, DRAWINGS, DATA ITEM DESCRIPTIONS, AND OTHER PERTINENT DOCUMENTS (DEC 1991)

The specifications, standards, plans, drawings, data item descriptions, and other pertinent documents cited in this solicitation are not available for distribution but may be examined at the following location:

(Insert complete address)

(End of provision)


252.211-7003 Item identification and valuation.

As prescribed in 211.274-6(a), use the following clause:

ITEM IDENTIFICATION AND VALUATION (JUN 2011)

(a) Definitions. As used in this clause—

Automatic identification device means a device, such as a reader or interrogator, used to retrieve data encoded on machine-readable media.

Concatenated unique item identifier means—

(1) For items that are serialized within the enterprise identifier, the linking together of the unique identifier data elements in order of the enterprise identifier, and unique serial number within the enterprise identifier; or

(2) For items that are serialized within the original part, lot, or batch number, the linking together of the unique identifier data elements in order of the issuing agency code; enterprise identifier; original part, lot, or batch number; and serial number within the original part, lot, or batch number.

Data qualifier means a specified character (or string of characters) that immediately precedes a data field that defines the general category or intended use of the data that follows.

DoD recognized unique identification equivalent means a unique identification method that is in commercial use and has been recognized by DoD. All DoD recognized unique identification equivalents are listed at http://www.acq.osd.mil/dpap/pdi/uid/uid_equivalents.html.

DoD unique item identification means a system of marking items delivered to DoD with unique item identifiers that have machine-readable data elements to distinguish an item from all other like and unlike items. For items that are serialized within the enterprise identifier, the unique item identifier shall include the data elements of the enterprise identifier and a unique serial number. For items that are serialized within the part, lot, or batch number within the enterprise identifier, the unique item identifier shall include the data elements of the enterprise identifier; the original part, lot, or batch number; and the serial number.

Enterprise means the entity (e.g., a manufacturer or vendor) responsible for assigning unique item identifiers to items.

Enterprise identifier means a code that is uniquely assigned to an enterprise by an issuing agency.

Government’s unit acquisition cost means—

(1) For fixed-price type line, subline, or exhibit line items, the unit price identified in the contract at the time of delivery;

(2) For cost-type or undefinitized line, subline, or exhibit line items, the Contractor’s estimated fully burdened unit cost to the Government at the time of delivery; and

(3) For items produced under a time-and-materials contract, the Contractor’s estimated fully burdened unit cost to the Government at the time of delivery.

Issuing agency means an organization responsible for assigning a globally unique identifier to an enterprise (e.g., Dun & Bradstreet’s Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE)/Commercial and Government Entity (CAGE) Code, or the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS–0322000) Number), European Health Industry Business Communication Council (EHBCC) and Health Industry Business Communication Council (HIBCC), as indicated in the Register of Issuing Agency Codes for ISO/IEC 15459, located at http://www.nen.nl/web/Normen-ontwikkelen/ISOIEC-15459-Issuing-Agency-Codes.htm.

Issuing agency code means a code that designates the registration (or controlling) authority for the enterprise identifier.

Item means a single hardware article or a single unit formed by a grouping of subassemblies, components, or constituent parts.

Lot or batch number means an identifying number assigned by the enterprise to a designated group of items, usually referred to as either a lot or a batch, all of which were manufactured under identical conditions.

Machine-readable means an automatic identification technology media, such as bar
codes, contact memory buttons, radio frequency identification, or optical memory cards.

Original part number means a combination of numbers or letters assigned by the enterprise at item creation to a class of items with the same form, fit, function, and interface.

Parent item means the item assembly, intermediate component, or subassembly that has an embedded item with a unique item identifier or DoD recognized unique identification equivalent.

Serial number within the enterprise identifier means a combination of numbers, letters, or symbols assigned by the enterprise to an item that provides for the differentiation of that item from any other like and unlike item and is never used again within the enterprise.

Serial number within the part, lot, or batch number means a combination of numbers or letters assigned by the enterprise to an item that provides for the differentiation of that item from any other like item within a part, lot, or batch number assignment.

Serialization within the enterprise identifier means each item produced is assigned a serial number that is unique among all the tangible items produced by the enterprise and is never used again. The enterprise is responsible for ensuring unique serialization within the enterprise identifier.

Serialization within the part, lot, or batch number means each item of a particular part, lot, or batch number is assigned a unique serial number within that part, lot, or batch number assignment. The enterprise is responsible for ensuring unique serialization within the part, lot, or batch number within the enterprise identifier.

Unique item identifier means a set of data elements marked on items that is globally unique and unambiguous. The term includes a concatenated unique item identifier or a DoD recognized unique identification equivalent.

Unique item identifier type means a designator to indicate which method of uniquely identifying a part has been used. The current list of accepted unique item identifier types is maintained at [http://www.acq.osd.mil/dpap/pdi/uid/uid_types.html](http://www.acq.osd.mil/dpap/pdi/uid/uid_types.html).

(b) The Contractor shall deliver all items under a contract line, subline, or exhibit line item.

(c) Unique item identifier. (1) The Contractor shall provide a unique item identifier for the following:

(i) All delivered items for which the Government’s unit acquisition cost is $5,000 or more.

(ii) The following items for which the Government’s unit acquisition cost is less than $5,000:

(ii) Subassemblies, components, and parts embedded within delivered items as specified in Attachment Number ___.

(2) The unique item identifier and the component data elements of the DoD unique item identification shall not change over the life of the item.

(3) Data syntax and semantics of unique item identifiers. The Contractor shall ensure that—

(i) The encoded data elements (except issuing agency code) of the unique item identifier are marked on the item using one of the following three types of data qualifiers, as determined by the Contractor:

(A) Application Identifiers (AIs) (Format Indicator 05 of ISO/IEC International Standard 15494), in accordance with ISO/IEC International Standard 15418, Information Technology—EAN/UCC Application Identifiers and Fact Data Identifiers and Maintenance ANSI MH 10.8.2 Data Identifier and Application Identifier Standard.

(B) Data Identifiers (DIs) (Format Indicator 06 of ISO/IEC International Standard 15494), in accordance with ISO/IEC International Standard 15418, Information Technology—EAN/UCC Application Identifiers and Fact Data Identifiers and Maintenance ANSI MH 10.8.2 Data Identifier and Application Identifier Standard.

(C) Text Element Identifiers (TEIs) (Format Indicator 12 of ISO/IEC International Standard 15494), in accordance with the Air Transport Association Common Support Data Dictionary; and

(ii) The encoded data elements of the unique item identifier conform to the transfer structure, syntax, and coding of messages and data formats specified for Format Identifiers 05, 06, and 12 in ISO/IEC International Standard 15434, Information Technology—Transfer Syntax for High Capacity Automatic Data Capture Media.

(4) Unique item identifier.

(i) The Contractor shall—

(A) Determine whether to—

(1) Serialize within the enterprise identifier;

(2) Serialize within the part, lot, or batch number; or

(3) Use a DoD recognized unique identification equivalent; and

(B) Place the data elements of the unique item identifier (enterprise identifier; serial number; DoD recognized unique identification equivalent; and for serialization within
Defense Acquisition Regulations System, DOD 252.211–7004

the part, lot, or batch number only: original part, lot, or batch number) on items requiring marking by paragraph (c)(1) of this clause, based on the criteria provided in the version of MIL–STD–130, Identification Marking of U.S. Military Property, cited in the contract Schedule.

(ii) The issuing agency code—
(A) Shall not be placed on the item; and
(B) Shall be derived from the data qualifier for the enterprise identifier.

(d) For each item that requires unique item identification under paragraph (c)(1)(i) or (ii) of this clause, in addition to the information provided as part of the Material Inspection and Receiving Report specified elsewhere in this contract, the Contractor shall report at the time of delivery, either as part of, or associated with, the Material Inspection and Receiving Report, the following information:

(1) Unique item identifier.
(2) Unique item identifier type.
(3) Issuing agency code (if concatenated unique item identifier is used).
(4) Enterprise identifier (if concatenated unique item identifier is used).
(5) Original part number (if there is serial-numbering within the original part number).
(6) Lot or batch number (if there is serial-numbering within the lot or batch number).
(7) Current part number (optional and only if not the same as the original part number).
(8) Serial number (if concatenated unique item identifier is used).**
(9) Current part number effective date (optional and only if current part number is used).**
(10) Serial number (if concatenated unique item identifier is used).**
(11) Description.

** Once per item.

(f) The Contractor shall submit the information required by paragraphs (d) and (e) of this clause in accordance with the data submission procedures at http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.html.

(g) Subcontracts. If the Contractor acquires by subcontract, any item(s) for which unique item identification is required in accordance with paragraph (c)(1) of this clause, the Contractor shall include this clause, including this paragraph (g), in the applicable subcontract(s).

(End of clause)

Alternate I (AUG 2008) As prescribed in 211.274–4(c) delete paragraphs (c), (d), (e), (f), and (g) of the basic clause, and add the following paragraphs (c) and (d) to the basic clause.

(c) For each item delivered under a contract line, subline, or exhibit line item under paragraph (b) of this clause, in addition to the information provided as part of the Material Inspection and Receiving Report specified elsewhere in this contract, the Contractor shall report the Government’s unit acquisition cost.

(d) The Contractor shall submit the information required by paragraph (c) of this clause in accordance with the data submission procedures at http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.html.


252.211–7004 Alternate preservation, packaging, and packing.

As prescribed in 211.272, use the following provision:

ALTERNATE PRESERVATION, PACKAGING, AND PACKING (DEC 1991)

(a) The Offeror may submit two unit prices for each item—one based on use of the military preservation, packaging, or packing requirements of the solicitation; and an alternate based on use of commercial or industrial preservation, packaging, or packing of equal or better protection than the military.

(b) If the Offeror submits two unit prices, the following information, as a minimum,
shall be submitted with the offer to allow evaluation of the alternate—
(1) The per unit/item cost of commercial or industrial preservation, packaging, and packing;
(2) The per unit/item cost of military preservation, packaging, and packing;
(3) The description of commercial or industrial preservation, packaging, and packing procedures, including material specifications, when applicable, to include—
   (i) Method of preservation;
   (ii) Quantity per unit package;
   (iii) Cleaning/drying treatment;
   (iv) Preservation treatment;
   (v) Wrapping materials;
   (vi) Cushioning/dunnage material;
   (vii) Thickness of cushioning;
   (viii) Unit container;
   (ix) Unit package gross weight and dimensions;
   (x) Packing; and
   (xi) Packing gross weight and dimensions;
(4) Item characteristics, to include—
   (i) Material and finish;
   (ii) Net weight;
   (iii) Net dimensions; and
   (iv) Fragility.
(c) If the Contracting Officer does not evaluate or accept the Offeror’s proposed alternate commercial or industrial preservation, packaging, or packing, the Offeror agrees to preserve, package, or pack in accordance with the specified military requirements.

(End of provision)


252.211-7005 Substitutions for military or Federal specifications and standards.
As prescribed in 211.273-4, use the following clause:

**SUBSTITUTIONS FOR MILITARY OR FEDERAL SPECIFICATIONS AND STANDARDS (NOV 2005)**

(a) **Definition.** “SPI process,” as used in this clause, means a management or manufacturing process that has been accepted previously by the Department of Defense under the Single Process Initiative (SPI) for use in lieu of a specific military or Federal specification or standard at specific facilities. Under SPI, these processes are reviewed and accepted by a Management Council, which includes representatives of the Contractor, the Defense Contract Management Agency, the Defense Contract Audit Agency, and the military departments.

(b) Offerors are encouraged to propose SPI processes in lieu of military or Federal specifications and standards cited in the solicitation. A listing of SPI processes accepted at specific facilities is available via the Internet at [http://guidebook.dcma.mil/20/guidebook_process.htm](http://guidebook.dcma.mil/20/guidebook_process.htm) (paragraph 4.2).

(c) An offeror proposing to use an SPI process in lieu of military or Federal specifications or standards cited in the solicitation shall—
(1) Identify the specific military or Federal specification or standard for which the SPI process has been accepted;
(2) Identify each facility at which the offeror proposes to use the specific SPI process in lieu of military or Federal specifications or standards cited in the solicitation;
(3) Identify the contract line items, subline items, components, or elements affected by the SPI process; and
(4) If the proposed SPI process has been accepted at the facility at which it is proposed for use, but is not yet listed at the Internet site specified in paragraph (b) of this clause, submit documentation of Department of Defense acceptance of the SPI process.

(d) Absent a determination that an SPI process is not acceptable for this procurement, the Contractor shall use the following SPI processes in lieu of military or Federal specifications or standards:

(Officer insert information for each SPI process)

SPI Process: ____________________
Facility: ____________________
Military or Federal Specification or Standard: ____________________
Affected Contract Line Item Number, Subline Item Number, Component, or Element: ____________________

(e) If a prospective offeror wishes to obtain, prior to the time specified for receipt of offers, verification that an SPI process is an acceptable replacement for military or Federal specifications or standards required by the solicitation, the prospective offeror—
(1) May submit the information required by paragraph (d) of this clause to the Contracting Officer prior to submission of an offer; but
(2) Must submit the information to the Contracting Officer at least 10 working days prior to the date specified for receipt of offers.

(End of clause)


As prescribed in 211.273–3, use the following clause:
PASSIVE RADIO FREQUENCY IDENTIFICATION (SEP 2011)

(a) Definitions. As used in this clause—
Advance shipment notice means an electronic notification used to list the contents of a shipment of goods as well as additional information relating to the shipment, such as passive radio frequency identification (RFID) or item unique identification (IUID) information, order information, product description, physical characteristics, type of packaging, marking, carrier information, and configuration of goods within the transportation equipment.

Bulk commodities means the following commodities, when shipped in rail tank cars, tanker trucks, trailers, other bulk wheeled conveyances, or pipelines:
(1) Sand.
(2) Gravel.
(3) Bulk liquids (water, chemicals, or petroleum products).
(4) Ready-mix concrete or similar construction materials.
(5) Coal or combustibles such as firewood.
(6) Agricultural products such as seeds, grains, or animal feed.

Case means either a MIL–STD–129 defined exterior container within a palletized unit load or a MIL–STD–129 defined individual shipping container.

Electronic Product Code® (EPC®) means an identification scheme for universally identifying physical objects via RFID tags and other means. The standardized EPC® data consists of an EPC® (or EPC® Identifier) that uniquely identifies an individual object, as well as an optional filter value when judged to be necessary to enable effective and efficient reading of the EPC® tags. In addition to this standardized data, certain classes of EPC® tags will allow user-defined data. The EPC® Tag Data Standards will define the length and position of this data, without defining its content.

EPCglobal® means a subscriber-driven organization comprised of industry leaders and organizations focused on creating global standards for the adoption of passive RFID technology.

Exterior container means a MIL–STD–129 defined container, bundle, or assembly that is sufficient by reason of material, design, and construction to protect unit packs and intermediate containers and their contents during shipment and storage. It can be a unit pack or a container with a combination of unit packs or intermediate containers. An exterior container may or may not be used as a shipping container.

Palletized unit load means a MIL–STD–129 defined quantity of items, packed or unpacked, arranged on a pallet in a specified manner and secured, strapped, or fastened on the pallet so that the whole palletized load is handled as a single unit. A palletized or skid-ded load is not considered to be a shipping container. A loaded 463L System pallet is not considered to be a palletized unit load. Refer to the Defense Transportation Regulation, DoD 4500.9–R, Part II, Chapter 203, for marking of 463L System pallets.

Passive RFID tag means a tag that reflects energy from the reader/interrogator or that receives and temporarily stores a small amount of energy from the reader/interrogator signal in order to generate the tag response. The only acceptable tags are EPC Class 1 passive RFID tags that meet the EPCglobal® Class 1 Generation 2 standard.

Radio frequency identification (RFID) means an automatic identification and data capture technology comprising one or more reader/interrogators and one or more radio frequency transponders in which data transfer is achieved by means of suitably modulated inductive or radiating electromagnetic carriers.

Shipping container means a MIL–STD–129 defined exterior container that meets carrier regulations and is of sufficient strength, by reason of material, design, and construction, to be shipped safely without further packing (e.g., wooden boxes or crates, fiber and metal drums, and corrugated and solid fiberboard boxes).

(b)(1) Except as provided in paragraph (b)(2) of this clause, the Contractor shall affix passive RFID tags, at the case- and palletized- unit-load packaging levels, for shipments of items that—
(i) Are in any of the following classes of supply, as defined in DoD 4140.1–R, DoD Supply Chain Materiel Management Regulation, AP1.1.11:
(A) Subclass of Class I—Packaged operational rations.
(B) Class II—Clothing, individual equipment, tentage, organizational tool kits, hand tools, and administrative and housekeeping supplies and equipment.
(C) Class III—Packaged petroleum, lubricants, oils, preservatives, chemicals, and additives.
(D) Class IV—Construction and barrier materials.
(E) Class VI—Personal demand items (non-military sales items).
(F) Subclass of Class VIII—Medical materials (excluding pharmaceuticals, biologicals, and reagents—suppliers should limit the mixing of excluded and non-excluded materials).
(G) Class IX—Repair parts and components including kits, assemblies and subassemblies, repairable and consumable items required for maintenance support of all equipment, excluding medical-peculiar repair parts; and
(ii) Are being shipped to one of the locations listed at http://www.acq.osd.mil/log/rfid or to—
(A) A location outside the contiguous United States when the shipment has been assigned Transportation Priority 1, or to—

<table>
<thead>
<tr>
<th>Contract line, subline, or exhibit line item number</th>
<th>Location name</th>
<th>City</th>
<th>State</th>
<th>DoDAAC</th>
</tr>
</thead>
</table>

(B) The following location(s) deemed necessary by the requiring activity:

(2) The following are excluded from the requirements of paragraph (b)(1) of this clause:

(i) Shipments of bulk commodities.

(ii) Shipments to locations other than Defense Distribution Depots when the contract includes the clause at FAR 52.213–1, Fast Payment Procedures.

(c) The Contractor shall—

(1) Ensure that the data encoded on each passive RFID tag are globally unique (i.e., the tag ID is never repeated across two or more RFID tags) and conforms to the requirements in paragraph (d) of this clause;

(2) Use passive tags that are readable; and

(3) Ensure that the passive tag is affixed at the appropriate location on the specific level of packaging, in accordance with MIL–STD–129 (Section 4.9.2) tag placement specifications.

(d) Data syntax and standards. The Contractor shall encode an approved RFID tag using the instructions provided in the EPC™ Tag Data Standards in effect at the time of contract award. The EPC™ Tag Data Standards are available at [http://www.epcglobalinc.org/standards/](http://www.epcglobalinc.org/standards/).

(1) If the Contractor is an EPCglobal™ subscriber and possesses a unique EPC™ company prefix, the Contractor may use any of the identifiers and encoding instructions described in the most recent EPC™ Tag Data Standards document to encode tags.

(2) If the Contractor chooses to employ the DoD identifier, the Contractor shall use its previously assigned Commercial and Government Entity (CAGE) code and shall encode the tags in accordance with the tag identifier details located at [http://www.acq.osd.mil/log/ridf/tag_data.htm](http://www.acq.osd.mil/log/ridf/tag_data.htm). If the Contractor uses a third-party packaging house to encode its tags, the CAGE code of the third-party packaging house is acceptable.

(3) Regardless of the selected encoding scheme, the Contractor with which the Department holds the contract is responsible for ensuring that the tag ID encoded on each passive RFID tag is globally unique, per the requirements in paragraph (c)(1) of this clause.

(e) Advance shipment notice. The Contractor shall use Wide Area WorkFlow (WAWF), as required by DFARS 252.232–7003, Electronic Submission of Payment Requests, to electronically submit advance shipment notice(s) with the RFID tag ID(s) (specified in paragraph (d) of this clause) in advance of the shipment in accordance with the procedures at [https://wawf.eb.mil/](https://wawf.eb.mil/).

(End of clause)


As prescribed in 211.274–6(b), use the following clause:

REPORTING OF GOVERNMENT-FURNISHED EQUIPMENT IN THE DoD Item Unique Identification (IUID) Registry (NOV 2008)

(a) Definitions. As used in this clause—


Acquisition cost, for Government-furnished equipment, means the amount identified in the contract, or in the absence of such identification, the item’s fair market value.

Concatenated unique item identifier means—

(1) For items that are serialized within the enterprise identifier, the linking together of the unique identifier data elements in order of the issuing agency code, enterprise identifier, and unique serial number within the enterprise identifier; e.g., the enterprise identifier along with the contractor’s property internal identification, i.e., tag number is recognized as the serial number; or

(2) For items that are serialized within the original part, lot, or batch number, the linking together of the unique identifier data elements in order of the issuing agency code, enterprise identifier; original part, lot, or batch number; and serial number within the original part, lot, or batch number.

Equipment means a tangible item that is functionally complete for its intended purpose, durable, nonexpendable, and needed for the performance of a contract. Equipment is not intended for sale, and does not ordinarily
Defense Acquisition Regulations System, DOD

252.211–7007

lose its identity or become a component part of another article when put into use.

*Government-furnished equipment* means an item of special tooling, special test equipment, or special test equipment, in the possession of, or directly acquired by, the Government and subsequently furnished to the Contractor (including subcontractors and alternate locations) for the performance of a contract.

*Item* means equipment, special tooling, or special test equipment, to include such equipment, special tooling, or special test equipment that is designated as serially managed, mission essential, sensitive, or controlled inventory (if previously identified as such in accordance with the terms and conditions of the contract).

*Item unique identification (IUID)* means a system of assigning, reporting, and marking DoD property with unique item identifiers that have machine-readable data elements to distinguish an item from all other like and unlike items.

*IUID Registry* means the DoD data repository that receives input from both industry and Government sources and provides storage of, and access to, data that identifies and describes tangible Government personal property.

*Material* means property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end item. Material does not include equipment, special tooling, or special test equipment.

*Reparable* means an item, typically in unserviceable condition, furnished to the Contractor for maintenance, repair, modification, or overhaul.

*Sensitive item* means an item potentially dangerous to public safety or security if stolen, lost, or misplaced, or that shall be subject to exceptional physical security, protection, control, and accountability. Examples include weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

*Serially managed item* means an item designated to DoD to be uniquely tracked, controlled, or managed in maintenance, repair, and/or supply systems by means of its serial number.

*Special test equipment* means either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including foundations and similar improvements necessary for installing special test equipment, and standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. Special test equipment does not include material, special tooling, real property, or equipment items used for general testing purposes, or property that with relatively minor expense can be made suitable for general purpose use.

*Special tooling* means jigs, dies, fixtures, molds, patterns, taps, gauges, and all components of these items, including foundations and similar improvements necessary for installing special tooling, and which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. Special tooling does not include material, special test equipment, real property, equipment, machine tools, or similar capital items.

*Unique item identifier (UII)* means a set of data elements permanently marked on an item that is globally unique and unambiguous and never changes, in order to provide traceability of the item throughout its total life cycle. The term includes a concatenated UII or a DoD recognized unique identification equivalent.

*Virtual UII* means the UII data elements assigned to an item that is not marked with a DoD compliant 2D data matrix symbol, e.g., enterprise identifier, part number, and serial number; or the enterprise identifier along with the Contractor’s property internal identification, i.e., tag number.

(b) Requirement for item unique identification of Government-furnished equipment. Except as provided in paragraph (c) of this clause—

(1) Contractor accountability and management of Government-furnished equipment shall be performed at the item level; and

(2) Unless provided by the Government, the Contractor shall establish a virtual UII or a DoD recognized unique identification for items that are—

(i) Valued at $5,000 or more in unit acquisition cost; or

(ii) Valued at less than $5,000 in unit acquisition cost and are serially managed, mission essential, sensitive, or controlled inventory, as identified in accordance with the terms and conditions of the contract.

(c) Exceptions. Paragraph (b) of this clause does not apply to—

(1) Government-furnished material;

(2) Reparables;

(3) Contractor-acquired property;

(4) Property under any statutory leasing authority;

(5) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments;

(6) Intellectual property or software; or

(7) Real property.

(d) Procedures for establishing UIIs. To permit reporting of virtual UIIs to the DoD IUID Registry, the Contractor’s property
management system shall enable the following data elements in addition to those required by paragraph (f)(1)(iii) of the Government Property clause of this contract (FAR 52.245-1):

(1) Parent UII.
(2) Concatenated UII.
(3) Received/Sent (shipped) date.
(4) Status code.
(5) Current part number (if different from the original part number).
(6) Current part number effective date.
(7) Category code ("E" for equipment).
(8) Contract number.
(9) Commercial and Government Entity (CAGE) code.
(10) Mark record.
   (i) Bagged or tagged code (for items too small to individually tag or mark).
   (ii) Contents (the type of information recorded on the item, e.g., item internal control number).
   (iii) Effective date (date the mark is applied).
   (iv) Added or removed code/flag.
   (v) Marker code (designates which code is used in the marker identifier, e.g., D=CAGE, UN=DUNS, LD=DODAAC).
   (vi) Marker identifier, e.g., Contractor’s CAGE code or DUNS number.
   (vii) Medium code; how the data is recorded, e.g., barcode, contact memory button.
   (viii) Value, e.g., actual text or data string that is recorded in its human readable form.
   (ix) Set (used to group marks when multiple sets exist); for the purpose of this clause, this defaults to “one (1)”.

(e) Procedures for updating the DoD IUID Registry. The Contractor shall update the DoD IUID Registry at https://www.bpn.gov/iuid for changes in status, mark, custody, or disposition of items—

(1) Delivered or shipped from the Contractor’s plant, under Government instructions, except when shipment is to a subcontractor or other location of the Contractor;
(2) Consumed or expended, reasonably and properly, or otherwise accounted for, in the performance of the contract as determined by the Government property administrator, including reasonable inventory adjustments;
(3) Disposed of; or
(4) Transferred to a follow-on or other contract.

(End of clause)

[73 FR 70908, Nov. 24, 2008; as amended at 73 FR 76972, Dec. 18, 2008; 75 FR 59103, Sept. 27, 2010]

252.211-7008 Use of Government-Assigned Serial Numbers

As prescribed in 211.274-6(c), use the following clause:

(a) Definitions. As used in this clause—

Government-assigned serial number means a combination of letters or numerals in a fixed human-readable information format (text) conveying information about a major end item, which is provided to a contractor by the requiring activity with accompanying technical data instructions for marking the Government-assigned serial number on major end items to be delivered to the Government.

Major end item means a final combination of component parts and/or materials which is ready for its intended use and of such importance to operational readiness that review and control of inventory management functions (procurement, distribution, maintenance, disposal, and asset reporting) is required at all levels of life cycle management. Major end items include aircraft; ships; boats; motorized wheeled, tracked, and towed vehicles for use on highway or rough terrain; weapon and missile end items; ammunition; and sets, assemblies, or end items having a major end item as a component.

Unique item identifier (UII) means a set of data elements permanently marked on an item that is globally unique and unambiguous and never changes in order to provide traceability of the item throughout its total life cycle. The term includes a concatenated UII or a DoD-recognized unique identification equivalent.

(b) The Contractor shall mark the Government-assigned serial numbers on those major end items as specified by line item in the Schedule, in accordance with the technical instructions for the placement and method of application identified in the terms and conditions of the contract.

(c) The Contractor shall register the Government-assigned serial number along with the major end item’s UII at the time of delivery in accordance with the provisions of the clause at DFARS 252.211–7003(d).

(d) The Contractor shall establish the UII for major end items for use throughout the life of the major end item. The Contractor may elect, but is not required, to use the Government-assigned serial number to construct the UII.

(End of clause)

[75 FR 59103, Sept. 27, 2010]

252.212–7000 Offeror representations and certifications—Commercial items.

As prescribed in 212.301(f)(ii), use the following provision:
OFFEROR REPRESENTATIONS AND CERTIFICATIONS—COMMERCIAL ITEMS (JUN 2005)

(a) Definitions. As used in this clause—

(1) Foreign person means any person other than a United States person as defined in Section 16(2) of the Export Administration Act of 1979 (50 U.S.C. App. Sec. 2415).

(2) United States means the 50 States, the District of Columbia, outlying areas, and the outer Continental Shelf as defined in 43 U.S.C. 1331.

(3) United States person is defined in Section 16(2) of the Export Administration Act of 1979 and means any United States resident or national (other than an individual resident outside the United States and employed by other than a United States person), any domestic concern (including any permanent domestic establishment of any foreign concern), and any foreign subsidiary or affiliate (including any permanent foreign establishment) of any domestic concern which is controlled in fact by such domestic concern, as determined under regulations of the President.

(b) Certification. By submitting this offer, the Offeror, if a foreign person, company or entity, certifies that it—

(1) Does not comply with the Secondary Arab Boycott of Israel; and

(2) Is not taking or knowingly agreeing to take any action, with respect to the Secondary Arab Boycott of Israel by Arab countries, which 50 U.S.C. App. Sec. 2407(a) prohibits a United States person from taking.

(c) Representation of Extent of Transportation by Sea. (This representation does not apply to solicitations for the direct purchase of ocean transportation services).

(1) The Offeror shall indicate by checking the appropriate blank in paragraph (c)(2) of this provision whether transportation of supplies by sea is anticipated under the resultant contract. The term ‘supplies’ is defined in the Transportation of Supplies by Sea clause of this solicitation.

(2) Representation. The Offeror represents that it—

Does anticipate that supplies will be transported by sea in the performance of any contract or subcontract resulting from this solicitation.

Does not anticipate that supplies will be transported by sea in the performance of any contract or subcontract resulting from this solicitation.

Any contract resulting from this solicitation will include the Transportation of Supplies by Sea clause. If the Offeror represents that it will not use ocean transportation services, the resulting contract will also include the Defense Federal Acquisition Regulation Supplement clause at 252.247–7024, Notification of Transportation of Supplies by Sea.

252.212–7001 Contract terms and conditions required to implement statutes or Executive orders applicable to Defense acquisitions of commercial items.

As prescribed in 212.301(f)(iii) and 227.7103–6(a) and (e), use the following clauses as applicable:

(a) The Contractor agrees to comply with the following Federal Acquisition Regulation (FAR) clause which, if checked, is included in this contract by reference to implement a provision of law applicable to acquisitions of commercial items or components.


(b) The Contractor agrees to comply with any clause that is checked on the following list of Defense FAR Supplement clauses which, if checked, is included in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items or components.


(iii) Alternate II (DEC 2010) of 252.225–7021.


(iii) Alternate II (DEC 2010) of 252.225–7036.


(17) 252.225–7038, Restriction on Acquisition of Air Circuit Breakers (JUN 2005) (10 U.S.C. 2534(a)(3)).


(19) 252.227–7013, Rights in Technical Data—Noncommercial Items (SEP 2011), if applicable (see 227.7102–6(a)).


(21) 252.227–7037, Validation of Restrictive Markings on Technical Data (SEP 2011), if applicable (see 227.7102–4(c)). (10 U.S.C. 2321).


(c) In addition to the clauses listed in paragraph (e) of the Contract Terms and Conditions Required to Implement Statutes or Executive Orders—Commercial Items clause of this contract (FAR 52.212–5), the Contractor shall include the terms of the following clauses, if applicable, in subcontracts for commercial items or commercial components, awarded at any tier under this contract:


(2) 252.227–7013, Rights in Technical Data—Noncommercial Items (SEP 2011), if applicable (see 227.7102–6(a)).

(3) 252.227–7015, Technical Data—Commercial Items (SEP 2011), if applicable (see 227.7102–4(a)).

(4) 252.227–7037, Validation of Restrictive Markings on Technical Data (SEP 2011), if applicable (see 227.7102–4(c)).


(End of clause)

[71 FR 39009, July 11, 2006]

EDITORIAL NOTE: For FEDERAL REGISTER citations affecting §252.212–7001, see the List of CFR Sections Affected, which appears in the
Defense Acquisition Regulations System, DOD 252.215-7002

Finding Aids section of the printed volume and at www.fdsys.gov.

252.212-7002 Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items.

As prescribed in 212.7103, use the following provision:

PILOT PROGRAM FOR ACQUISITION OF MILITARY-PURPOSE NONDEVELOPMENTAL ITEMS (JUN 2011)

(a) Definitions. As used in this provision—

Military-purpose nondevelopmental item means a nondevelopmental item that meets a validated military requirement, as determined in writing by the responsible program manager, and has been developed exclusively at private expense. An item shall not be considered to be developed at private expense if development of the item was paid for in whole or in part through—

(1) Independent research and development costs or bid and proposal costs, per the definition in FAR 31.205-18, that have been reimbursed directly or indirectly by a Federal agency or have been submitted to a Federal agency for reimbursement; or

(2) Foreign government funding.

``Nondevelopmental item'' is defined in FAR 2.101 and for the purpose of this subpart also includes previously developed items of supply that require modifications other than those customarily available in the commercial marketplace if such modifications are consistent with the requirement of DFARS 212.7102-2(d)(1).

Nontraditional defense contractor means an entity that is not currently performing and has not performed, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any of the following for the Department of Defense—

(1) Any contract or subcontract that is subject to full coverage under the cost accounting standards prescribed pursuant to Section 26 of the Office of Federal Procurement Policy Act (41 U.S.C. section 1902) and the regulations implementing such section; or

(2) Any other contract in excess of the certified cost or pricing data threshold under which the contractor is required to submit certified cost or pricing data.

(b) Notice. This is a procurement action under section 866 of the National Defense Authorization Act for Fiscal Year 2011, Pilot Program for Acquisition of Military-Purpose Nondevelopmental Items, and is subject to the limitations outlined in DFARS 212.7102.

(c) Representation. By submission of its offer, the offeror represents that it is a nontraditional defense contractor.

(End of provision)

[76 FR 38050, June 29, 2011]

252.215-7000 Pricing adjustments.

As prescribed in 215.408(1), use the following clause:

PRICING ADJUSTMENTS (DEC 1991)

The term “pricing adjustment,” as used in paragraph (a) of the clauses entitled “Price Reduction for Defective Cost or Pricing Data—Modifications,” “Subcontractor Cost or Pricing Data,” and “Subcontractor Cost or Pricing Data—Modifications,” means the aggregate increases and/or decreases in cost plus applicable profits.

(End of clause)


252.215-7001 [Reserved]

252.215-7002 Cost estimating system requirements.

As prescribed in 215.408(2), use the following clause:

COST ESTIMATING SYSTEM REQUIREMENTS (MAY 2011)

(a) Definitions. Acceptable estimating system means an estimating system complies with the system criteria in paragraph (d) of this clause, and provides for a system that—

(1) Is maintained, reliable, and consistently applied;

(2) Produces verifiable, supportable, documented, and timely cost estimates that are an acceptable basis for negotiation of fair and reasonable prices;

(3) Is consistent with and integrated with the Contractor’s related management systems; and

(4) Is subject to applicable financial control systems.

Estimating system means the Contractor’s policies, procedures, and practices for budgeting and planning controls, and generating estimates of costs and other data included in proposals submitted to customers in the expectation of receiving contract awards. Estimating system includes the Contractor’s—

(1) Organizational structure; and

(2) Established lines of authority, duties, and responsibilities; or

(3) Internal controls and managerial reviews.

(4) Flow of work, coordination, and communication; and

(5) Budgeting, planning, estimating methods, techniques, accumulation of historical

(End of clause)
Significant deficiency means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) General. The Contractor shall establish, maintain, and comply with an acceptable estimating system.

(c) Applicability. Paragraphs (d) and (e) of this clause apply if the Contractor is a large business and either—

(1) In its fiscal year preceding award of this contract, received Department of Defense (DoD) prime contracts or subcontracts totaling $50 million or more for which cost or pricing data were required or

(2) In its fiscal year preceding award of this contract—

(i) Received DoD prime contracts or subcontracts totaling $10 million or more (but less than $50 million) for which cost or pricing data were required; and

(ii) Was notified, in writing, by the Contracting Officer that paragraphs (d) and (e) of this clause apply.

(d) System requirements. (1) The Contractor shall disclose its estimating system to the Administrative Contracting Officer (ACO), in writing. If the Contractor wishes the Government to protect the information as privileged or confidential, the Contractor must mark the documents with the appropriate legends before submission.

(2) An estimating system disclosure is acceptable when the Contractor has provided the ACO with documentation that—

(i) Accurately describes those policies, procedures, and practices that the Contractor currently uses in preparing cost proposals; and

(ii) Provides sufficient detail for the Government to reasonably make an informed judgment regarding the acceptability of the Contractor’s estimating practices.

(3) The Contractor shall—

(i) Comply with its disclosed estimating system; and

(ii) Disclose significant changes to the cost estimating system to the ACO on a timely basis.

(4) The Contractor’s estimating system shall provide for the use of appropriate source data, utilize sound estimating techniques and good judgment, maintain a consistent approach, and adhere to established policies and procedures. An acceptable estimating system shall accomplish the following functions:

(i) Establish clear responsibility for preparation, review, and approval of cost estimates and budgets;

(ii) Provide a written description of the organization and duties of the personnel responsible for preparing, reviewing, and approving cost estimates and budgets;

(iii) Ensure that relevant personnel have sufficient training, experience, and guidance to perform estimating and budgeting tasks in accordance with the Contractor’s established procedures;

(iv) Identify and document the sources of data and the estimating methods and rationale used in developing cost estimates and budgets;

(v) Provide for adequate supervision throughout the estimating and budgeting process;

(vi) Provide for consistent application of estimating and budgeting techniques;

(vii) Provide for detection and timely correction of errors;

(viii) Protect against cost duplication and omissions;

(ix) Provide for the use of historical experience, including historical vendor pricing information, where appropriate;

(x) Require use of appropriate analytical methods;

(xi) Integrate information available from other management systems;

(xii) Require management review, including verification of the company’s estimating and budgeting policies, procedures, and practices;

(xiii) Provide for internal review of, and accountability for, the acceptability of the estimating system, including the budgetary data supporting indirect cost estimates and comparisons of projected results to actual results, and an analysis of any differences;

(xiv) Provide procedures to update cost estimates and notify the Contracting Officer in a timely manner throughout the negotiation process;

(xv) Provide procedures that ensure subcontract prices are reasonable based on a documented review and analysis provided with the prime proposal, when practicable;

(xvi) Provide estimating and budgeting practices that consistently generate sound proposals that are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price; and

(xvii) Have an adequate system description, including policies, procedures, and estimating and budgeting practices, that comply with the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement.

(e) Significant deficiencies. (1) The Contracting Officer will provide an initial determination to the Contractor, in writing, of any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Contractor to understand the deficiency.

(2) The Contractor shall respond within 30 days to a written initial determination from
the Contracting Officer that identifies significant deficiencies in the Contractor’s estimating system. If the Contractor disagrees with the initial determination, the Contracting Officer shall, in writing, its rationale for disagreeing.

(3) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the Contracting Officer’s final determination concerning—
(i) Remaining significant deficiencies;
(ii) The adequacy of any proposed or completed corrective action; and
(iii) System disapproval, if the Contracting Officer determines that one or more significant deficiencies remain.

(f) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.

(g) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor’s estimating system, and the contract includes the clause at 252.242–7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(End of provision)

[73 FR 28873, May 18, 2011]

252.215–7003—252.225–7030 [Reserved]

252.215–7005 Evaluation Factor for Employing or Subcontracting With Members of the Selected Reserve.
As prescribed in 215.370–3(a), use the following provision:

EVALUATION FACTOR FOR EMPLOYING OR SUBCONTRACTING WITH MEMBERS OF THE SELECTED RESERVE (OCT 2008)

(a) Definition. Selected Reserve, as used in this provision, has the meaning given that term in 10 U.S.C. 10143. Selected Reserve members normally attend regular drills throughout the year and are the group of Reserves most readily available to the President.

(b) If the Contractor stated in its offer that it intends to use members of the Selected Reserve in the performance of this contract—
(1) The Contractor shall use employees, or individual subcontractors, who are members of the Selected Reserve in the performance of the contract to the fullest extent consistent with efficient contract performance; and
(2) The Government has the right to terminate the contract for default if the Contractor willfully or intentionally fails to use members of the Selected Reserve, as employees or individual subcontractors, in the performance of the contract.

(End of provision)

[73 FR 62212, Oct. 20, 2008]

252.216–7000 Economic price adjustment—basic steel, aluminum, brass, bronze, or copper mill products.
As prescribed in 216.203–4–70(a), use the following clause:

ECONOMIC PRICE ADJUSTMENT—BASIC STEEL, ALUMINUM, BRASS, BRONZE, OR COPPER MILL PRODUCTS (JUL 1997)

(a) Definitions. As used in this clause—
Established price means a price which is an established catalog or market price for a commercial item sold in substantial quantities to the general public.

(1) Existing company documentation, such as payroll or personnel records, indicating the names of the Selected Reserve members who are currently employed by the company; or
(2) A statement that one or more positions will be set aside to be filled by new hires of Selected Reserve members, along with verifying documentation.

(End of provision)
Unit price excludes any part of the price which reflects requirements for preservation, packaging, and packing beyond standard commercial practice.

(1) The Contractor warrants that the unit price stated for (Identify the item) is not in excess of the Contractor’s established price in effect on the date set for opening of bids (or the contract date if this is a negotiated contract) for like quantities of the same item. This price is the net price after applying any applicable standard trade discounts offered by the Contractor from its catalog, list, or schedule price.

(2) The Contractor shall promptly notify the Contracting Officer of the amount and effective date of each decrease in any established price.

(a) Each corresponding contract unit price shall be decreased by the same percentage that the established price is decreased.

(b) This decrease shall apply to items delivered or on the effective date of the decrease in the Contractor’s established price.

(c) This contract shall be modified accordingly.

(d) If the Contractor’s established price is increased after the date set for opening of bids (or the contract date if this is a negotiated contract), upon the Contractor’s written request to the Contracting Officer, the corresponding contract unit price shall be increased by the same percentage that the established price is increased, and this contract shall be modified accordingly, provided—

(1) The aggregate of the increases in any contract unit price under this contract shall not exceed 10 percent of the original contract unit price;

(2) The increased contract unit price shall be effective on the effective date of the increase in the applicable established price if the Contractor’s written request is received by the Contracting Officer within ten days of the change. If it is not, the effective date of the increased unit price shall be the date of receipt of the request by the Contracting Officer.

(e) Within 30 days after receipt of the Contractor’s written request, the Contracting Officer may cancel, without liability to either party, any portion of the contract affected by the requested increase and not delivered at the time of such cancellation, except as follows—

(1) The Contractor may, after that time, deliver any items that were completed or in the process of manufacture at the time of receipt of the cancellation notice, provided the Contractor notifies the Contracting Officer of such items within 10 days after the Contractor receives the cancellation notice.

(2) The Government shall pay for those items at the contract unit price increased to the extent provided by paragraph (d) of this clause.

(3) Any standard steel supply item shall be deemed to be in the process of manufacture when the steel for that item is in the state of processing after the beginning of the furnace melt.

(f) Pending any cancellation of this contract under paragraph (e) of this clause, or if there is no cancellation, the Contractor shall continue deliveries according to the delivery schedule of the contract. The Contractor shall be paid for those deliveries at the contract unit price increased to the extent provided by paragraph (d) of this clause.

(End of clause)

ECONOMIC PRICE ADJUSTMENT—NONSTANDARD STEEL ITEMS

As prescribed in 216.203–4–70(b), use the following clause:

ECONOMIC PRICE ADJUSTMENT—NONSTANDARD STEEL ITEMS

As used in this clause—

Base labor index means the average of the labor indices for the three months which consist of the month of bid opening (or offer submission) and the months immediately preceding and following that month.

Base steel index means the Contractor’s established price (see note 6) for each applicable extra materials (see note 1) for the same item on the date set for bid opening (or the date of submission of the offer).

Current labor index means the average of the labor indices for the month in which delivery of supplies is required to be made and the month preceding.

Current steel index means the Contractor’s established price (see note 6) for that item, including all applicable extras of $ per pound (see note 2) on the date set for bid opening (or the date of submission of the offer).

Established price is—

(1) A price which is an established catalog or market price of a commercial item sold in

378
substantial quantities to the general public; and

(2) The net price after applying any applicable standard trade discounts offered by the Contractor from its catalog, list, or schedule price. (But see Note 6.)

Labor index means the average straight time hourly earnings of the Contractor’s employees in the plant (see note 4) for any particular month.

Month means calendar month. However, if the Contractor’s accounting period does not coincide with the calendar month, then that accounting period shall be used in lieu of month.

(b) Each contract unit price shall be subject to revision, under the terms of this clause, to reflect changes in the cost of labor and steel. For purpose of this price revision, the proportion of the contract unit price attributable to costs of labor not otherwise included in the price of the steel item identified under the base steel index definition in paragraph (a) shall be ___ percent, and the proportion of the contract unit price attributable to the cost of steel shall be ___ percent. (See note 5.)

(c)(1) Unless otherwise specified in this contract, the labor index shall be computed by dividing the total straight time earnings of the Contractor’s employees in the shop identified in paragraph (a) for any given month by the total number of straight time hours worked by those employees in that month.

(2) Any revision in a contract unit price to reflect changes in the cost of labor shall be computed solely by reference to the “base labor index” and the “current labor index.”

(d) Any revision in a contract unit price to reflect changes in the cost of steel shall be computed solely by reference to the “base steel index” and the “current steel index.”

(e)(1) Each contract unit price shall be revised for each month in which delivery of supplies is required to be made.

(2) The revised contract unit price shall apply to the deliveries of those quantities required to be made in that month regardless of when actual delivery is made.

(3) Each revised contract unit price shall be computed by adding—

(i) The adjusted cost of labor (obtained by multiplying ___ percent of the contract unit price by the value of the item which has been delivered by the Contractor and accepted by the Government prior to delivery of the terminated item); and

(ii) The amount equal to ___ percent of the original contract unit price (representing that portion of the unit price which relates neither to the cost of labor nor the cost of steel, and which is therefore not subject to revision (see note 5)).

(4) The aggregate of the increases in any contract unit price under this contract shall not exceed ten percent of the original contract unit price.

(5) Computations shall be made to the nearest one-hundredth of one cent.

(f)(1) Pending any revisions of the contract unit prices, the Contractor shall be paid the contract unit price for deliveries made.

(2) Within 30 days after final delivery (or such other period as may be authorized by the Contracting Officer), the Contractor shall furnish a statement identifying the correctness of—

(i) The average straight time hourly earnings of the Contractor’s employees in the shop identified in paragraph (a) that are relevant to the computations of the base labor index and the current labor index; and

(ii) The Contractor’s established prices (see note 6), including all applicable extras for like quantities of the item that are relevant to the computation of the base steel index and the current steel index.

(3) Upon request of the Contracting Officer, the Contractor shall make available all records used in the computation of the labor indices.

(4) Upon receipt of the statement, the Contracting Officer will compute the revised contract unit prices and modify the contract accordingly. No modification to this contract will be made pursuant to this clause until the Contracting Officer has verified the revised established price (see note 6).

(g)(1) In the event any item of this contract is subject to a total or partial termination for convenience, the month in which the Contractor receives notice of the termination, if prior to the month in which delivery is required, shall be considered the month in which delivery of the terminated item is required for the purposes of determining the current labor and steel indices under paragraphs (c) and (d).

(2) For any item which is not terminated for convenience, the month in which delivery is required under the contract shall continue to apply for determining those indices with respect to the quantity of the non-terminated item.

(3) If this contract is terminated for default, any price revision shall be limited to the quantity of the item which has been delivered by the Contractor and accepted by the Government prior to receipt by the Contractor of the notice of termination.

(h) If the Contractor’s failure to make delivery of any required quantity arises out of causes beyond the control and without the fault or negligence of the Contractor, within the meaning of the clause of this contract.
entitled “Default,” the quantity not delivered shall be delivered as promptly as possible after the cessation of the cause of the failure, and the delivery schedule set forth in this contract shall be amended accordingly.

Notes:
1. Offeror insert the unit price and unit measure of the standard steel mill item to be used in the manufacture of the contract item.
2. Offeror identify the standard steel mill item to be used in the manufacture of the contract item.
3. Offeror insert best estimate of the number of days required for processing the standard steel mill item in the shop identified under the labor index definition.
4. Offeror identify the shop and plant in which the standard steel mill item identified under the base steel index definition will be finally fabricated or processed into the contract item.
5. Offeror insert the same percentage figures for the corresponding blanks in paragraphs (b), (e)(3)(i), and (e)(3)(ii). In paragraph (e)(3)(ii), insert the percentage representing the difference between the sum of the percentages inserted in paragraph (b) and 100 percent.
6. In negotiated acquisitions of nonstandard steel items, when there is no established price or when it is not desirable to use this price, this paragraph may refer to another appropriate price basis, e.g., an established interplant price.

(End of clause)


As prescribed in 216.601(e), substitute the following paragraph (c) for paragraph (c) of the provision at FAR 52.216-20:

ALTERNA T E A. Ti ME-AND-MATERIALS/LABOR-HOUR PROPOSAL REQUIREMENTS—NON-COM MERCIAL ITEM ACQUISITION WITH ADEQUATE PRICE COMPETITION (FEB. 2007)

(c) The offeror must establish fixed hourly rates using separate rates for each category of labor to be performed by each subcontractor and for each category of labor to be performed by the offeror, and for each category of labor to be transferred between divisions, subsidiaries, or affiliates of the offeror under a common control.

[71 FR 74471, Dec. 12, 2006]
252.216–7004 Award Fee Reduction or Denial for Jeopardizing the Health or Safety of Government Personnel.

As prescribed in 216.406 use the following clause:

AWARD FEE REDUCTION OR DENIAL FOR JEOPARDIZING THE HEALTH OR SAFETY OF GOVERNMENT PERSONNEL (SEP 2011)

(a) Definitions. As used in this clause—

Covered incident—

(i) Means any incident in which the Contractor, through a criminal, civil, or administrative proceeding that results in a disposition listed in paragraph (a)(ii) of this definition—

(A) Has been determined in the performance of this contract to have caused serious bodily injury or death of any civilian or military personnel of the Government through gross negligence or with reckless disregard for the safety of such personnel; or

(B) Has been determined to be liable for actions of a subcontractor of the Contractor that caused serious bodily injury or death of any civilian or military personnel of the Government through gross negligence or with reckless disregard for the safety of such personnel.

(ii) includes those incidents that have resulted in any of the following dispositions:

(A) In a criminal proceeding, a conviction.

(B) In a civil proceeding, a finding of fault or liability that results in the payment of a monetary fine, penalty, reimbursement, restitution, or damage of $5,000 or more.

(C) In an administrative proceeding, a finding of fault and liability that results in—

(1) The payment of a monetary fine or penalty of $5,000 or more; or

(2) The payment of a reimbursement, restitution, or damages in excess of $100,000.

(D) In a criminal, civil, or administrative proceeding, a disposition of the matter by consent or compromise with an acknowledgment of fault by the Contractor if the proceeding could have led to any of the outcomes specified in subparagraphs (a)(i)(A), (a)(i)(B), or (a)(i)(C).

(E) In a DoD investigation of the Contractor or its subcontractors at any tier not subject to the jurisdiction of the U.S. courts, a final determination by the Secretary of Defense of Contractor or subcontractor fault (see DFARS 216.405–2–70).

Serious bodily injury means a grievous physical harm that results in a permanent disability.

(b) If, in the performance of this contract, the Contractor's or its subcontractor's activities cause serious bodily injury or death of civilian or military Government personnel, the Government may reduce or deny the award fee for the period in which the covered incident occurred, including the recovery of all or part of any award fees paid for any previous period during which the covered incident occurred.

(End of clause)

[76 FR 57677, Sept. 16, 2011]

252.216–7005 Award Fee.

As prescribed in 216.406(e)(2), insert the following clause:

AWARD FEE (FEB 2011)

The Contractor may earn award fee from a minimum of zero dollars to the maximum amount stated in the award-fee plan in this contract. In no event will award fee be paid to the Contractor for any evaluation period in which the Government rates the Contractor's overall cost, schedule, and technical performance below satisfactory. The Contracting Officer may unilaterally revise the award-fee plan prior to the beginning of any rating period in order to redirect contractor emphasis.

(End of clause)

[76 FR 8305, Feb. 14, 2011]

252.216–7006 Ordering.

As prescribed in 216.506(a), use the following clause:

ORDERING (MAY 2011)

(a) Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders or task orders by the individuals or activities designated in the contract schedule. Such orders may be issued from _______ through _______.

(b) All delivery orders or task orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order or task order and this contract, the contract shall control.

(c)(1) If issued electronically, the order is considered "issued" when a copy has been posted to the Electronic Document Access system, and notice has been sent to the Contractor.

(2) If mailed or transmitted by facsimile, a delivery order or task order is considered "issued" when the Government deposits the order in the mail or transmits by facsimile. Mailing includes transmittal by U.S. mail or private delivery services.

(3) Orders may be issued orally only if authorized in the schedule.

(End of Clause)

[76 FR 25568, May 5, 2011]
252.217–7000 Exercise of option to fulfill foreign military sales commitments.

As prescribed in 217.208–70(a), use the following clause:

EXERCISE OF OPTION TO FULFILL FOREIGN MILITARY SALES COMMITMENTS (DEC 1991)

(a) The Government may exercise the option(s) of this contract to fulfill foreign military sales commitments.

(b) The foreign military sales commitments are for:

(Insert name of country, or To Be Determined)

(Insert applicable CLIN)

(End of clause)

Alternate I (DEC 1991). As prescribed in 217.208–70(a)(1), substitute the following paragraph (b) for paragraph (b) of the basic clause:

(b) On the date the option is exercised, the Government shall identify the foreign country for the purpose of negotiating any equitable adjustment attributable to foreign military sales. Failure to agree on an equitable adjustment shall be treated as a dispute under the Disputes clause of this contract.

252.217–7001 Surge option.

As prescribed in 217.208–70(b), use the following clause:

SURGE OPTION (AUG 1992)

(a) General. The Government has the option to—

(1) Increase the quantity of supplies or services called for under this contract by no more than ___ percent; and/or

(2) Accelerate the rate of delivery called for under this contract, at a price or cost established before contract award or to be established by negotiation as provided in this clause.

(b) Schedule. (1) When the Production Surge Plan (DI-MGMT-80969) is included in the contract, the option delivery schedule shall be the production rate provided with the Plan. If the Plan was negotiated before contract award, then the negotiated schedule shall be used.

(2) If there is no Production Surge Plan in the contract, the Contractor shall, within 30 days from the date of award, furnish the Contracting Officer a delivery schedule showing the maximum sustainable rate of delivery for items in this contract. This delivery schedule shall provide acceleration by month up to the maximum sustainable rate of delivery achievable within the Contractor’s existing facilities, equipment, and subcontracting structure.

(3) The Contractor shall not revise the option delivery schedule without approval from the Contracting Officer.

(c) Exercise of option. (1) The Contracting Officer may exercise this option at any time before acceptance by the Government of the final scheduled delivery.

(2) The Contracting Officer will provide a preliminary oral or written notice to the Contractor stating the quantities to be added or accelerated under the terms of this clause, followed by a contract modification incorporating the transmitted information and instructions. The notice and modification will establish a not-to-exceed price equal to the highest contract unit price or cost of the added or accelerated items as of the date of the notice.

(3) The Contractor will not be required to deliver at a rate greater than the maximum sustainable delivery rate under paragraph (b)(2) of this clause, nor will the exercise of this option extend delivery more than 24 months beyond the scheduled final delivery.

(d) Price negotiation. (1) Unless the option cost or price was previously agreed upon, the Contractor shall, within 30 days from the date of option exercise, submit to the Contracting Officer a cost or price proposal (including a cost breakdown) for the added or accelerated items.

(2) Failure to agree on a cost or price in negotiations resulting from the exercise of this option shall constitute a dispute concerning a question of fact within the meaning of the Disputes clause of this contract. However, nothing in this clause shall excuse the Contractor from proceeding with the performance of the contract, as modified, while any resulting claim is being settled.

(End of clause)


252.217–7002 Offering property for exchange.

As prescribed in 217.7005, use the following provision:

OFFERING PROPERTY FOR EXCHANGE (DEC 1991)

(a) The property described in item number ___ is being offered in accordance with the exchange provisions of section 201(c) of the Federal Property and Administrative Services Act of 1949, 63 Stat. 384 (40 U.S.C. 481(c)).

(b) The property is located at (insert address). Offerors may inspect the property during the period (insert beginning and ending dates and insert hours during day).
252.217–7003 Changes.

As prescribed in 217.7104(a), use the following clause:

CHANGES (DEC 1991)

(a) The Contracting Officer may, at any time and without notice to the sureties, by written change order, make changes within the general scope of any job order issued under the Master Agreement in—

(1) Drawings, designs, plans, and specifications;
(2) Work itemized;
(3) Place of performance of the work;
(4) Time of commencement or completion of the work; and
(5) Any other requirement of the job order.

(b) If a change causes an increase or decrease in the cost of, or time required for, performance of the job order, whether or not changed by the order, the Contracting Officer shall make an equitable adjustment in the price or date of completion, or both, and shall modify the job order in writing.

(1) Within ten days after the Contractor receives notification of the change, the Contractor shall submit to the Contracting Officer a request for price adjustment, together with a written estimate of the increased cost.

(2) The Contracting Officer may grant an extension of this period if the Contractor requests it within the ten day period.

(3) If the circumstances justify it, the Contracting Officer may accept and grant a request for equitable adjustment at any later time prior to final payment under the job order, except that the Contractor may not receive profit on a payment under a late request.

(c) If the Contractor includes in its claim the cost of property made obsolete or excess as a result of a change, the Contracting Officer shall have the right to prescribe the manner of disposition of that property.

(d) Failure to agree to any adjustment shall be a dispute within the meaning of the Disputes clause.

(e) Nothing in this clause shall excuse the Contractor from proceeding with the job order as changed.

(End of clause)

[75 FR 49849, Aug. 16, 2010]

252.217–7004 Job orders and compensation.

As prescribed in 217.7104(a), use the following clause:

JOB ORDERS AND COMPENSATION (MAY 2006)

(a) The Contracting Officer shall solicit bids or proposals and make award of job orders. The issuance of a job order signed by the Contracting Officer constitutes award. The job order shall incorporate the terms and conditions of the Master Agreement.

(b) Whenever the Contracting Officer determines that a vessel, its cargo or stores, would be endangered by delay, or whenever the Contracting Officer determines that military necessity requires that immediate work on a vessel is necessary, the Contracting Officer may issue a written order to perform that work and the Contractor hereby agrees to comply with that order and to perform work on such vessel within its capabilities.

(1) As soon as practicable after the issuance of the order, the Contracting Officer and the Contractor shall negotiate a price for the work and the Contracting Officer shall issue a job order covering the work.

(2) The Contractor shall, upon request, furnish the Contracting Officer with a breakdown of costs incurred by the Contractor and an estimate of costs expected to be incurred in the performance of the work. The Contractor shall maintain, and make available for inspection by the Contracting Officer or the Contracting Officer’s representative, records supporting the cost of performing the work.

(3) Failure of the parties to agree upon the price of the work shall constitute a dispute within the meaning of the Disputes clause of the Master Agreement. In the meantime, the Contractor shall diligently proceed to perform the work ordered.

(c)(1) If the nature of any repairs is such that their extent and probable cost cannot be ascertained readily, the Contracting Officer may issue a job order (on a sealed bid or negotiated basis) to determine the nature and extent of required repairs.

(2) Upon determination by the Contracting Officer of what work is necessary, the Contractors, if requested by the Contracting Officer, shall negotiate prices for performance of that work. The prices agreed upon shall be set forth in a modification of the job order.

(3) Failure of the parties to agree upon the price shall constitute a dispute under the Disputes clause. In the meantime, the Contractor shall diligently proceed to perform the work ordered.

(End of clause)

[75 FR 49849, Aug. 16, 2010]

252.217–7005 Inspection and manner of doing work.

As prescribed in 217.7104(a), use the following clause:
INSPECTION AND MANNER OF DOING WORK (JUL 2009)

(a) The Contractor shall perform work in accordance with the job order, any drawings and specifications made a part of the job order, and any change or modification issued under the Changes clause of the Master Agreement.

(b)(1) Except as provided in paragraph (b)(2) of this clause, and unless otherwise specifically provided in the job order, all operational practices of the Contractor and all workmanship, material, equipment, and articles used in the performance of work under the Master Agreement shall be in accordance with the best commercial marine practices and the rules and requirements of the American Bureau of Shipping, the U.S. Coast Guard, and the Institute of Electrical and Electronic Engineers, in effect at the time of Contractor’s submission of bid (or acceptance of the job order, if negotiated).

(b)(2) When Navy specifications are specified in the job order, the Contractor shall follow Navy standards of material and workmanship. The solicitation shall prescribe the Navy standard whenever applicable.

(c) The Government may inspect and test all material and workmanship at any time during the Contractor’s performance of the work.

(1) If, prior to delivery, the Government finds any material or workmanship is defective or not in accordance with the job order, in addition to its rights under the Guarantee clause of the Master Agreement, the Government may reject the defective or nonconforming material or workmanship and require the Contractor to correct or replace it at the Contractor’s expense.

(2) If the Contractor fails to proceed promptly with the replacement or correction of the material or workmanship, the Government may replace or correct the defective or nonconforming material or workmanship and charge the Contractor the excess costs incurred.

(3) As specified in the job order, the Contractor shall provide and maintain an inspection system acceptable to the Government.

(4) The Contractor shall maintain complete records of all inspection work and shall make them available to the Government during performance of the job order and for 90 days after the completion of all work required.

(d) The Contractor shall not permit any welder to work on a vessel unless the welder is, at the time of the work, qualified to the standards established by the U.S. Coast Guard, American Bureau of Shipping, or Department of the Navy for the type of welding being performed. Qualifications of a welder shall be as specified in the job order.

(e) The Contractor shall—

(1) Exercise reasonable care to protect the vessel from fire;

(2) Maintain a reasonable system of inspection over activities taking place in the vicinity of the vessel’s magazines, fuel oil tanks, or storerooms containing flammable materials;

(3) Maintain a reasonable number of hose lines ready for immediate use on the vessel at all times while the vessel is berthed alongside the Contractor’s pier or in dry dock or on a marine railway;

(4) Unless otherwise provided in a job order, provide sufficient security patrols to reasonably maintain a fire watch for protection of the vessel when it is in the Contractor’s custody;

(5) To the extent necessary, clean, wash, and steam out or otherwise make safe, all tanks under alteration or repair;

(6) Furnish the Contracting Officer or designated representative with a copy of the “gas-free” or “safe-for-hotwork” certificate, provided by a Marine Chemist or Coast Guard authorized person in accordance with Occupational Safety and Health Administration regulations (29 CFR 1915.14) before any hot work is done on a tank;

(7) Treat the contents of any tank as Government property in accordance with the Government Property clause; and

(8) Dispose of the contents of any tank only at the direction, or with the concurrence, of the Contracting Officer.

(f) Except as otherwise provided in the job order, when the vessel is in the custody of the Contractor or in dry dock or on a marine railway and the temperature is expected to go as low as 35 °F, the Contractor shall take all necessary steps to—

(1) Keep all hose pipe lines, fixtures, traps, tanks, and other receptacles on the vessel from freezing; and

(2) Protect the stern tube and propeller hubs from frost damage.

(g) The Contractor shall, whenever practicable—

(1) Perform the required work in a manner that will not interfere with the berthing and messing of Government personnel attached to the vessel; and

(2) Provide Government personnel attached to the vessel access to the vessel at all times.

(h) Government personnel attached to the vessel shall not interfere with the Contractor’s work or workers.

(i)(1) The Government does not guarantee the correctness of the dimensions, sizes, and shapes set forth in any job order, sketches, drawings, plans, or specifications prepared or furnished by the Government, unless the job order requires that the Contractor perform the work prior to any opportunity to inspect.

(2) Except as stated in paragraph (i)(1) of this clause, and other than those parts furnished by the Government, the Contractor—
shall be responsible for the correctness of the dimensions, sizes, and shapes of parts furnished under this agreement.

(j) The Contractor shall at all times keep the site of the work on the vessel free from accumulation of waste material or rubbish caused by its employees or the work. At the completion of the work, unless the job order specifies otherwise, the Contractor shall remove all rubbish from the site of the work and leave the immediate vicinity of the work area “broom clean.”

(End of clause)

252.217–7006 Title.

As prescribed in 217.7104(a), use the following clause:

TITLE (DEC 1991)

(a) Unless otherwise provided, title to all materials and equipment to be incorporated in a vessel in the performance of a job order shall vest in the Government upon delivery at the location specified for the performance of the work.

(b) Upon completion of the job order, or with the approval of the Contracting Officer during performance of the job order, all Contractor-furnished materials and equipment not incorporated in, or placed on, any vessel, shall become the property of the Contractor, unless the Government has reimbursed the Contractor for the cost of the materials and equipment.

(c) The vessel, its equipment, moveable stores, cargo, or other ship’s materials shall not be considered Government-furnished property.

(End of clause)

252.217–7007 Payments.

As prescribed in 217.7104(a), use the following clause:

PAYMENTS (DEC 1991)

(a) Progress payments, as used in this clause, means payments made before completion of work in progress under a job order.

(b) Upon submission by the Contractor of invoices in the form and number of copies directed by the Contracting Officer, and as approved by the Contracting Officer, the Government will make progress payments as work progresses under the job order.

(1) Generally, the Contractor may submit invoices on a semi-monthly basis, unless expenditures justify a more frequent submission.

(2) The Government need not make progress payments for invoices aggregating less than $5,000.

(3) The Contracting Officer shall approve progress payments based on the value, computed on the price of the job order, of labor and materials incorporated in the work, materials suitably stored at the site of the work, and preparatory work completed, less the aggregate of any previous payments.

(4) Upon request, the Contractor will furnish the Contracting Officer any reports concerning expenditures on the work to date that the Contracting Officer may require.

(5) The Government will retain until final completion and acceptance of all work covered by the job order, an amount estimated or approved by the Contracting Officer under paragraph (b) of this clause. The amount retained will be in accordance with the rate authorized by Congress for Naval vessel repair contracts at the time of job order award.

(d) The Contracting Officer may direct that progress payments be based on the price of the job order as adjusted as a result of change orders under the Changes clause of the Master Agreement. If the Contracting Officer does not so direct—

(1) Payments of any increases shall be made from time to time after the amount of the increase is determined under the Changes clause of the Master Agreement; and

(2) Reductions resulting from decreases shall be made for the purposes of subsequent progress payments as soon as the amounts are determined under the Changes clause of the Master Agreement.

(e) Upon completion of the work under a job order and final inspection and acceptance, and upon submission of invoices in such form and with such copies as the Contracting Officer may prescribe, the Contractor shall be paid for the price of the job order, as adjusted pursuant to the Changes clause of the Master Agreement, less any performance reserves deemed necessary by the Contracting Officer, and less the amount of any previous payments.

(f) All materials, equipment, or any other property or work in process covered by the progress payments made by the Government, upon the making of those progress payments, shall become the sole property of the Government, and are subject to the provisions of the Title clause of the Master Agreement.

(End of clause)

252.217–7008 Bonds.

As prescribed in 217.7104(a), use the following clause:
(a) If the solicitation requires an offeror to submit a bid bond, the Offeror may furnish, instead, an annual bid bond (or evidence thereof) or an annual performance and payment bond (or evidence thereof).

(b) If the solicitation does not require a bid bond, the Offeror shall not include in the price any contingency to cover the premium of such a bond.

(c) Even if the solicitation does not require bonds, the Contracting Officer may nevertheless require a performance and payment bond, in form, amount, and with a surety acceptable to the Contracting Officer. Where performance and payment bond is required, the offer price shall be increased upon the award of the job order in an amount not to exceed the premium of a corporate surety bond.

(d) If any surety upon any bond furnished in connection with a job order under this agreement fails to submit requested reports as to its financial condition or otherwise becomes unacceptable to the Government, the Contracting Officer may require the Contractor to furnish whatever additional security the Contracting Officer determines necessary to protect the interests of the Government and of persons supplying labor or materials in the performance of the work contemplated under the Master Agreement.

(End of clause)

252.217–7009 Default.

As prescribed in 217.7104(a), use the following clause:

DEFAULT (DEC 1991)

(a) The Government may, subject to the provisions of paragraph (b) of this clause, by written notice of default to the Contractor, terminate the whole or any part of a job order if the Contractor fails to—

(i) Make delivery of the supplies or to perform the services within the time specified in a job order or any extension;

(ii) Make progress, so as to endanger performance of the job order; or

(iii) Perform any of the other provisions of this agreement or a job order.

(b) Except for defaults of subcontractors, the Contractor shall not be liable for any excess costs if failure to perform the job order arises from causes beyond the control and without the fault or negligence of the Contractor. Examples of such causes include acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather.

(c) If the Contractor’s failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either, the Contractor shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to perform the job order within the time specified.

(d) If the Government terminates the job order in whole or in part as provided in paragraph (a) of this clause—

(i) The Government may, upon such terms and in such manner as the Contracting Officer may deem appropriate, arrange for the completion of the work so terminated, at such plant or plants, including that of the Contractor, as may be designated by the Contracting Officer.

(ii) If the work is to be completed at the plant, the Government may use all tools, machinery, facilities, and equipment of the Contractor determined by the Contracting Officer to be necessary for that purpose.

(iii) If the cost to the Government of the work procured or completed (after adjusting such cost to exclude the effect of changes in the plans and specifications made subsequent to the date of termination) exceeds the price fixed for work under the job order (after adjusting such price on account of changes in the plans and specifications made before the date of termination), the Contractor, or the Contractor’s surety, if any, shall be liable for such excess.

(2) The Government, in addition to any other rights provided in this clause, may require the Contractor to transfer title and delivery to the Government, in the manner and to the extent directed by the Contracting Officer, any completed supplies and such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information and contract rights (hereinafter called “manufacturing materials”) as the Contractor has specifically produced or specifically acquired for the performance of the terminated part of the job order.

(i) The Contractor shall, upon direction of the Contracting Officer, protect and preserve property in possession of the Contractor in which the Government has an interest.

(ii) The Government shall pay to the Contractor the job order price for completed items of work delivered to and accepted by the Government, and the amount agreed upon by the Contractor and the Contracting Officer for manufacturing materials delivered to and accepted by the Government, and
252.217–7010 Performance.

(a) Upon the award of a job order, the Contractor shall promptly start the work specified and shall diligently prosecute the work to completion. The Contractor shall not start work until the job order has been awarded except in the case of emergency work ordered by the Contracting Officer under the Job Orders and Compensation clause of the Master Agreement.

(b) The Government shall deliver the vessel described in the job order at the time and location specified in the job order. Upon completion of the work, the Government shall accept delivery of the vessel at the time and location specified in the job order.

(c) The Contractor shall, without charge and without specific requirement in a job order—

(1) Make available at the plant to personnel of the vessel while in dry dock or on a marine railway, sanitary lavatory and similar facilities acceptable to the Contracting Officer;

(2) Supply and maintain suitable brows and gangways from the pier, dry dock, or marine railway to the vessel;

(3) Treat salvage, scrap or other ship’s material of the Government resulting from performance of the work as items of Government-furnished property, in accordance with the Government Property clause;

(4) Perform, or pay the cost of, any repair, reconditioning or replacement made necessary as the result of the use by the Contractor of any of the vessel’s machinery, equipment or fittings, including, but not limited to, winches, pumps, rigging, or pipe lines; and

(5) Furnish suitable offices, office equipment and telephones at or near the site of the work for the Government’s use.

(d) The job order will state whether dock and sea trials are required to determine whether or not the Contractor has satisfactorily performed the work.

(1) If dock and sea trials are required, the vessel shall be under the control of the vessel’s commander and crew.

(2) The Contractor shall not conduct dock and sea trials not specified in the job order without advance approval of the Contracting Officer. Dock and sea trials not specified in the job order shall be at the Contractor’s expense and risk.

(3) The Contractor shall provide and install all fittings and appliances necessary for dock and sea trials. The Contractor shall be responsible for care, installation, and removal of instruments and apparatus furnished by the Government for use in the trials.

252.217–7011 Access to vessel.

As prescribed at 217.7104(a), use the following clause:

ACCESS TO VESSEL (DEC 1991)

(a) Upon the request of the Contracting Officer, the Contractor shall grant admission to the Contractor’s facilities and access to vessel, on a non-interference basis, as necessary to perform their respective responsibilities, to a reasonable number of:
252.217–7012 Liability and insurance.

As prescribed in 217.7104(a), use the following clause:

LIABILITY AND INSURANCE (AUG 2003)

(a) The Contractor shall exercise its best efforts to prevent accidents, injury, or damage to all employees, persons, and property, in and about the work, and to the vessel or part of the vessel upon which work is done.

(b) Loss or damage to the vessel, materials, or equipment. (1) Unless otherwise directed or approved in writing by the Contracting Officer, the Contractor shall carry insurance against any form of loss or damage to the vessel(s) or to the materials or equipment to which the Government has title or which have been furnished by the Government for installation by the Contractor. The Government assumes the risks of loss of and damage to that property.

(2) The Government does not assume any risk with respect to loss or damage compensated for by insurance or otherwise or resulting from risks with respect to which the Contractor has failed to maintain insurance, if available, as required or approved by the Contracting Officer.

(3) The Government does not assume risk of and will not pay for any costs of the following:

(i) Inspection, repair, replacement, or renewal of any defects in the vessel(s) or material and equipment due to—

(A) Defective workmanship performed by the Contractor or its subcontractors;

(B) Defective materials or equipment furnished by the Contractor or its subcontractors; or

(C) Workmanship, materials, or equipment which do not conform to the requirements of the contract, whether or not the defect is latent or whether or not the nonconformance is the result of negligence.

(ii) Loss, damage, liability, or expense caused by, resulting from, or incurred as a consequence of any delay or disruption, willful misconduct or lack of good faith by the Contractor or any of its representatives that have supervision or direction of—

(A) All or substantially all of the Contractor’s business; or

(B) All or substantially all of the Contractor’s operation at any one plant.

(4) As to any risk that is assumed by the Government, the Government shall be subrogated to any claim, demand or cause of action against third parties that exists in favor of the Contractor. If required by the Contracting Officer, the Contractor shall execute a formal assignment or transfer of the claim, demand, or cause of action.

(5) No party other than the Contractor shall have any right to proceed directly against the Government or join the Government as a co-defendant in any action.

(6) Notwithstanding the foregoing, the Contractor shall bear the first $50,000 of loss or damage from each occurrence or incident, the risk of which the Government would have assumed under the provisions of this paragraph (b).

(c) Indemnification. The Contractor indemnifies the Government and the vessel and its owners against all claims, demands, or causes of action to which the Government, the vessel or its owner(s) might be subject as a result of damage or injury (including death) to the property or person of anyone other than the Government or its employees, or the vessel or its owner, arising in whole or in part from the negligence or other wrongful act of the Contractor or its agents or employees, or any subcontractor, or its agents or employees.

(1) The Contractor’s obligation to indemnify under this paragraph shall not exceed the sum of $300,000 as a consequence of any single occurrence with respect to any one vessel.

(2) The indemnity includes, without limitation, suits, actions, claims, costs, or demands of any kind, resulting from death, personal injury, or property damage occurring during the period of performance of work on the vessel or within 90 days after redelivery of the vessel. For any claim, etc., made after 90 days, the rights of the parties shall be as determined by other provisions of this agreement and by law. The indemnity does apply to death occurring after 90 days where the injury was received during the period covered by the indemnity.

(d) Insurance. (1) The Contractor shall, at its own expense, obtain and maintain the following insurance—

(i) Casualty, accident, and liability insurance, as approved by the Contracting Officer, insuring the performance of its obligations under paragraph (c) of this clause.

(ii) Workers Compensation Insurance (or its equivalent) covering the employees engaged on the work.

(2) The Contractor shall ensure that all subcontractors engaged on the work obtain and maintain the insurance required in paragraph (d)(1) of this clause.

(3) Upon request of the Contracting Officer, the Contractor shall provide evidence of the insurance required by paragraph (d) of this clause.
(e) The Contractor shall not make any allowance in the job order price for the inclusion of any premium expense or charge for any reserve made on account of self-insurance, or for coverage against any risk assumed by the Government under this clause.

(f) The Contractor shall give the Contracting Officer written notice as soon as practicable after the occurrence of a loss or damage for which the Government has assumed the risk.

(1) The notice shall contain full details of the loss or damage.

(2) If a claim or suit is later filed against the Contractor as a result of the event, the Contractor shall immediately deliver to the Government every demand, notice, summons, or other process received by the Contractor or its employees or representatives.

(3) The Contractor shall cooperate with the Government and, upon request, shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses, and in the conduct of suits. The Government shall reimburse the Contractor for expenses incurred in this effort, other than the cost of maintaining the Contractor’s usual organization.

(4) The Contractor shall not, except at its own expense, voluntarily make any payment, assume any obligation, or incur any expense other than what would be imperative for the protection of the vessel(s) at the time of the event.

(g) In the event of loss or damage to any vessel(s), material, or equipment which may result in a claim against the Government under the insurance provisions of this contract, the Contractor shall promptly notify the Contracting Officer of the loss or damage. The Contracting Officer may, without prejudice to any other right of the Government, either—

(1) Order the Contractor to proceed with replacement or repair, in which event the Contractor shall effect the replacement or repair;

(2) If the Contractor or any subcontractor is not practicable or is otherwise not advisable to return the vessel(s) to the Contractor, or the Contractor fails to proceed with the replacement or repair, the Government shall—

(i) Terminate the repair of any part or all of the vessel(s) under the Termination for Convenience of the Government clause of this agreement.

(ii) Terminate the contract.

(2) In the event the Contracting Officer decides that the loss or damage shall not be replaced or repaired, the Contracting Officer shall—

(i) Modify the contract appropriately, consistent with the reduced requirements reflected by the unreplaced or unrepai red loss or damage; or

(ii) Terminate the repair of any part or all of the vessel(s) under the Termination for Convenience of the Government clause of this agreement.

(End of clause)


252.217-7013 Guarantees.

As prescribed in 217.7104(a), use the following clause:

GUARANTEES (DEC 1991)

(a) In the event any work performed or materials furnished by the contractor under the Master Agreement prove defective or deficient within 90 days from the date of redelivery of the vessel(s), the Contractor, as directed by the Contracting Officer and at its own expense, shall correct and repair the deficiency to the satisfaction of the Contracting Officer.

(b) If the Contractor or any subcontractor has a guarantee for work performed or materials furnished that exceeds the 90 day period, the Government shall be entitled to rely upon the longer guarantee until its expiration.

(c) With respect to any individual work item identified as incomplete at the time of redelivery of the vessel(s), the guarantee period shall run from the date the item is completed.

(d) If practicable, the Government shall give the Contractor an opportunity to correct the deficiency.

(1) If the Contracting Officer determines it is not practicable or is otherwise not advisable to return the vessel(s) to the Contractor, or the Contractor fails to proceed with the repairs promptly, the Contracting Officer may direct that the repairs be performed elsewhere, at the Contractor’s expense.

(2) If correction and repairs are performed by other than the Contractor, the Contracting Officer may discharge the Contractor’s liability by making an equitable deduction in the price of the job order.

(e) The Contractor’s liability shall extend for an additional 90 day guarantee period on
those defects or deficiencies that the Contractor corrected.

(f) At the option of the Contracting Officer, defects and deficiencies may be left uncorrected. In that event, the Contractor and Contracting Officer shall negotiate an equitable reduction in the job price. Failure to agree upon an equitable reduction shall constitute a dispute under the Disputes clause of this agreement.

(End of clause)

252.217–7014 Discharge of liens.
As prescribed in 217.7104(a), use the following clause:

DISCHARGE OF LIENS (DEC 1991)

(a) The Contractor shall immediately discharge, or cause to be discharged, any lien or right in rem of any kind, other than in favor of the Government, that exists or arises in connection with work done or material furnished under any job order under this agreement.

(b) If any lien or right in rem is not immediately discharged, the Government, at the expense of the Contractor, may discharge, or cause to be discharged, the lien or right.

(End of clause)

252.217–7015 Safety and health.
As prescribed in 217.7104(a), use the following clause:

SAFETY AND HEALTH (DEC 1991)

Nothing contained in the Master Agreement or any job order shall relieve the Contractor of any obligations it may have to comply with—

(a) The Occupational Safety and Health Act of 1970 (29 U.S.C. 651, et seq.);

(b) The Safety and Health Regulations for Ship Repairing (29 CFR part 1915); or

(c) Any other applicable Federal, State, and local laws, codes, ordinances, and regulations.

(End of clause)

252.217–7016 Plant protection.
As prescribed in 217.7104(a), use the following clause:

PLANT PROTECTION (DEC 1991)

(a) The Contractor shall provide, for the plant and work in process, reasonable safeguards against all hazards, including unauthorized entry, malicious mischief, theft, vandalism, and fire.

(b) The Contractor shall also provide whatever additional safeguards are necessary to protect the plant and work in process from espionage, sabotage, and enemy action.

(1) The Government shall reimburse the Contractor for that portion of the costs of the additional safeguards that is allocable to the contract in the same manner as if the Contracting Officer had issued a change order for the additional safeguards.

(2) The costs reimbursed shall not include any overhead allowance, unless the overhead is incident to the construction or installation of necessary security devices or equipment.

(c) Upon payment by the Government of the cost of any device or equipment required or approved under paragraph (b) of this clause, title shall vest in the Government.

(1) The Contractor shall comply with the instructions of the Contracting Officer concerning its identification and disposition.

(2) No such device or equipment shall become a fixture as a result of its being affixed to realty not owned by the Government.

(End of clause)


252.217–7026 Identification of sources of supply.
As prescribed in 217.7303, use the following provision:

IDENTIFICATION OF SOURCES OF SUPPLY (NOV 1995)

(a) The Government is required under 10 U.S.C. 2384 to obtain certain information on the actual manufacturer or sources of supplies it acquires.

(b) The apparently successful Offeror agrees to complete and submit the following table before award:

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<th>Line items</th>
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<th>Source of supply</th>
<th>Actual mfg?</th>
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</table>

(1) List each deliverable item of supply and item of technical data.

(2) If there is no national stock number, list “none.”
Defense Acquisition Regulations System, DOD 252.217–7028

(3) Use "Y" if the item is a commercial item; otherwise use "N." If "Y" is listed, the Offeror need not complete the remaining columns in the table.
(4) For items of supply, list all sources. For technical data, list the source.
(5) For items of supply, list each source's part number for the item.
(6) Use "Y" if the source of supply is the actual manufacturer; "N" if it is not; and "U" if unknown.

(End of provision)


As prescribed in 217.7406 (b), use the following clause:

CONTRACT DEFINITIZATION (OCT 1998)

(a) All (insert specific type of contract action) is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the terms of a definitive contract that will include (1) all clauses required by the Federal Acquisition Regulation (FAR) on the date of execution of the undefinitized contract action, (2) all clauses required by law on the date of execution of the definitive contract action, and (3) any other mutually agreeable clauses, terms, and conditions. The Contractor agrees to submit a (insert type of proposal; e.g., fixed-price or cost-and-fee) proposal and cost or pricing data supporting its proposal.

(b) The schedule for definitizing this contract is as follows (insert target date for definitization of the contract action and dates for submission of proposal, beginning of negotiations, and, if appropriate, submission of the make-or-buy and subcontracting plans and cost or pricing data).

(c) If agreement on a definitive contract action to supersede this undefinitized contract action is not reached by the target date in paragraph (b) of this clause, or within any extension of it granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with subpart 15.4 and part 31 of the FAR, subject to Contractor appeal as provided in the Disputes clause. In any event, the Contractor shall proceed with completion of the contract, subject only to the Limitation of Government Liability clause.

(1) After the Contracting Officer's determination of price or fee, the contract shall be governed by—

(i) All clauses required by the FAR on the date of execution of this undefinitized contract action for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

(ii) All clauses required by law as of the date of the Contracting Officer's determination;

(iii) Any other clauses, terms, and conditions mutually agreed upon.

(2) To the extent consistent with paragraph (c)(1) of this clause, all clauses, terms, and conditions included in this undefinitized contract action shall continue in effect, except those that by their nature apply only to an undefinitized contract action.

(d) The definitive contract resulting from this undefinitized contract action will include a negotiated (insert "cost/price ceiling" or "firm-fixed price") in no event to exceed (insert the not-to-exceed amount).

(End of clause)


252.217–7028 Over and above work.

As prescribed in 217.7702, use a clause substantially as follows:

OVER AND ABOVE WORK (DEC 1991)

(a) Definitions. As used in this clause—

(1) Over and above work means work discovered during the course of performing overhaul, maintenance, and repair efforts that is—

(i) Within the general scope of the contract;

(ii) Not covered by the line item(s) for the basic work under the contract; and

(iii) Necessary in order to satisfactorily complete the contract.

(2) Work request means a document prepared by the Contractor which describes over and above work being proposed.

(b) The Contractor and Administrative Contracting Officer shall mutually agree to procedures for Government administration and Contractor performance of over and above work requests. If the parties cannot agree upon the procedures, the Administrative Contracting Officer has the unilateral right to direct the over and above work procedures to be followed. These procedures shall, as a minimum, cover—

(c) If agreement on a definitive contract action to supersede this undefinitized contract action is not reached by the target date in paragraph (b) of this clause, or within any extension of it granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with subpart 15.4 and part 31 of the FAR, subject to Contractor appeal as provided in the Disputes clause. In any event, the Contractor shall proceed with completion of the contract, subject only to the Limitation of Government Liability clause.

(1) After the Contracting Officer’s determination of price or fee, the contract shall be governed by—

(i) All clauses required by the FAR on the date of execution of this undefinitized contract action for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

(ii) All clauses required by law as of the date of the Contracting Officer’s determination;

(iii) Any other clauses, terms, and conditions mutually agreed upon.

(2) To the extent consistent with paragraph (c)(1) of this clause, all clauses, terms, and conditions included in this undefinitized contract action shall continue in effect, except those that by their nature apply only to an undefinitized contract action.

(d) The definitive contract resulting from this undefinitized contract action will include a negotiated (insert "cost/price ceiling" or "firm-fixed price") in no event to exceed (insert the not-to-exceed amount).

(End of clause)

252.219–7000—252.219–7002

(1) The format, content, and submission of work requests by the Contractor. Work requests shall contain data on the type of discrepancy disclosed, the specific location of the discrepancy, and the estimated labor hours and material required to correct the discrepancy. Data shall be sufficient to satisfy contract requirements and obtain the authorization of the Contracting Officer to perform the proposed work;
(2) Government review, verification, and authorization of the work; and
(3) Proposal pricing, submission, negotiation, and definitization.

(c) Upon discovery of the need for over and above work, the Contractor shall prepare and furnish to the Government a work request in accordance with the agreed-to procedures.

(d) The Government shall—
(1) Promptly review the work request;
(2) Verify that the proposed work is required and not covered under the basic contract line item(s);
(3) Verify that the proposed corrective action is appropriate; and
(4) Authorize over and above work as necessary.

(e) The Contractor shall promptly submit to the Contracting Officer, a proposal for the over and above work. The Government and Contractor will then negotiate a settlement for the over and above work. Contract modifications will be executed to definitize all over and above work.

(f) Failure to agree on the price of over and above work shall be a dispute within the meaning of the Disputes clause of this contract.

(End of clause)

252.219–7000–252.219–7002 [Reserved]

252.219–7003 Small business subcontracting plan (DoD contracts).

As prescribed in 219.706(b)(1)(A)(1), use the following clause:

SMALL BUSINESS SUBCONTRACTING PLAN (DoD CONTRACTS) (SEP 2011)

This clause supplements the Federal Acquisition Regulation 52.219–9, Small Business Subcontracting Plan, clause of this contract.

(a) Definitions. As used in this clause—
Historically black colleges and universities means institutions determined by the Secretary of Education to meet the requirements of 34 CFR Section 608.2. The term also includes Hispanic-serving institutions as defined in Section 316(b)(1) of such Act (20 U.S.C. 1059c(b)(1)).

(b) Except for company or division-wide commercial items subcontracting plans, the term “small disadvantaged business,” when used in the FAR 52.219–9 clause, includes historically black colleges and universities and minority institutions, in addition to small disadvantaged business concerns.

(c) Work under the contract or its subcontracts shall be credited toward meeting the small disadvantaged business concern goal required by paragraph (d) of the FAR 52.219–9 clause when:
(1) It is performed on Indian lands or in joint venture with an Indian Tribe or a Tribally-owned corporation; and
(2) It meets the requirements of 10 U.S.C. 2323a.

(d) Subcontracts awarded to workshops approved by the Committee for Purchase from People Who are Blind or Severely Disabled (41 U.S.C. 8502–8504), may be counted toward the Contractor’s small business subcontracting goal.

(e) A mentor firm, under the Pilot Mentor-Protege Program established under Section 831 of Public Law 101–510, as amended, may count toward its small disadvantaged business goal, subcontracts awarded—

(1) Protege firms which are qualified organizations employing the severely handicapped; and
(2) Former protege firms that meet the criteria in Section 831(g)(4) of Public Law 101–510.

(f) The master plan is approval by the Contractor’s cognizant contract administration activity.

(g) In those subcontracting plans which specifically identify small businesses, the Contractor shall notify the Administrative Contracting Officer of any substitutions of firms that are not small business firms, for the small business firms specifically identified in the subcontracting plan. Notifications shall be in writing and shall occur within a reasonable period of time after award of the subcontract. Contractor-specified formats shall be acceptable.

(h)(1) For DoD, the Contractor shall submit reports in eSRS as follows:

(i) The Individual Subcontract Report (ISR) shall be submitted to the contracting officer at the procuring contracting office, even when contract administration has been delegated to the Defense Contract Management Agency.
Electronic Subcontracting Reporting System (eSRS) means the Governmentwide, electronic, Web-based system for small business subcontracting program reporting. The eSRS is located at http://www.esrs.gov.

Subcontract, as used in this clause, means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.

2) For DoD, the authority to acknowledge receipt or reject reports in eSRS is as follows:

(i) The authority to acknowledge receipt or reject the ISR resides with the contracting officer who receives it, as described in paragraph (h)(1)(i) of this clause.

(ii) Except as provided in (h)(2)(ii), the authority to acknowledge receipt or reject SSRs in eSRS resides with the SSR Coordinator at the department or agency that administers the majority of the Contractor’s individual subcontracting plans.

(iii) The authority to acknowledge receipt or reject SSRs for construction and related maintenance repair contracts resides with the SSR Coordinator for each department or agency.

(iv) The authority to acknowledge receipt or reject the Year-End Supplementary Report for Small Disadvantaged Businesses resides with the SSR Coordinator who acknowledges receipt or rejects the SSR.

(v) If the Contractor submits the Small Disadvantaged Business Participation report using eSRS, the authority to acknowledge receipt or reject this report in eSRS resides with the contracting officer who acknowledges receipt or rejects the ISR.

(End of clause)

ALTERNATE I (OCT 2010)

As prescribed in 219.708(h)(1)(A)(2), substitute the following paragraph (h)(1)(i) for paragraph (h)(1)(i) in the basic clause:

(h)(1)(i) The Standard Form 294 Subcontracting Report for Individual Contracts shall be submitted in accordance with the instructions on that form; paragraph (h)(2)(i) is inapplicable.


252.219-7004 Small business subcontracting plan (test program).

As prescribed in 219.708(b)(1)(B), use the following clause:

SMALL BUSINESS SUBCONTRACTING PLAN (TEST PROGRAM) (JAN 2011)

(a) Definitions.
taken for awards made to lower-tier subcontractors unless the Contractor or subcontractor has been designated to receive a small business or small disadvantaged business credit from a member firm of the Alaska Native Corporations or an Indian tribe. Only subcontracts involving performance in the U.S. or its outlying areas should be included in these reports.

(1) This report may be submitted on a corporate, company, or subdivision (e.g., plant or division operating as a separate profit center) basis, as negotiated in the comprehensive subcontracting plan with the Defense Contract Management Agency.

(2) This report encompasses all subcontracting under prime contracts and subcontracts with the Department of Defense, regardless of the dollar value of the subcontracts, and is based on the negotiated comprehensive subcontracting plan.

(3) The report shall be submitted semi-annually for the six months ending March 31 and the twelve months ending September 30. Reports are due 30 days after the close of each reporting period.

(4) The authority to receipt or reject the SSR resides with the Comprehensive Subcontracting Program Division, the Defense Contract Management Agency Small Business Center.

(e) All reports submitted at the close of each fiscal year shall include a Year-End Supplementary Report for Small Disadvantaged Businesses. The report shall include subcontract awards, in whole dollars, to small disadvantaged business concerns by North American Industry Classification System (NAICS) Industry Subsector. If the data are not available when the year-end SSR is submitted, the prime Contractor and/or subcontractor shall submit the Year-End Supplementary Report for Small Disadvantaged Businesses within 90 days of submitting the year-end SSR. The authority to acknowledge receipt or reject the year-end report resides with the Comprehensive Subcontracting Program Division, the Defense Contract Management Agency Small Business Center.

(f) The failure of the Contractor or subcontractor to comply in good faith with the clause of this contract entitled “Utilization of Small Business Concerns,” or an approved plan required by this clause, shall be a material breach of the contract.

(g) The Contractor shall include, in contracts that offer subcontracting possibilities, are expected to exceed $550,000 ($1.5 million for construction of any public facility), and are required to include the clause at 52.219-8, Utilization of Small Business Concerns—

(1) FAR 52.219-9, Small Business Subcontracting Plan, and 252.219-7003 Small Business Subcontracting Plan (DoD Contracts), when the Contracting Officer has included these clauses in the contract for purposes of flowdown to subcontractors, or (2) 52.219-9, Small Business Subcontracting Plan, with its Alternate III, and 252.219-7003, Small Business Subcontracting Plan (DoD Contracts), with its Alternate I, when the Contracting Officer has included these clauses in the contract for flowdown to subcontractors to allow for submission of SF 294s in lieu of ISRs, or (3) 252.219-7004, Small Business Subcontracting Plan (Test Program), in subcontracts with subcontractors that participate in the test program described in DFARS 219.702.

(End of clause)

[76 FR 3537, Jan. 20, 2011]

252.219-7005—252.219-7008 [Reserved]

252.219-7009 Section 8(a) direct award.

As prescribed in 219.811–3(1), use the following clause:

SECTION 8(A) DIRECT AWARD (SEP 2007)

(a) This contract is issued as a direct award between the contracting office and the 8(a) Contractor pursuant to the Partnership Agreement dated between the Small Business Administration (SBA) and the Department of Defense. Accordingly, the SBA, even if not identified in Section A of this contract, is the prime contractor and retains responsibility for 8(a) certification, for 8(a) eligibility determinations and related issues, and for providing counseling and assistance to the 8(a) Contractor under the 8(a) Program. The cognizant SBA district office is:

[To be completed by the Contracting Officer at the time of award]

(b) The contracting office is responsible for administering the contract and for taking any action on behalf of the Government under the terms and conditions of the contract; provided that the contracting office shall give advance notice to the SBA before it issues a final notice terminating performance, either in whole or in part, under the contract. The contracting office also shall coordinate with the SBA prior to processing any novation agreement. The contracting office may assign contract administration functions to a contract administration office.

(c) The 8(a) Contractor agrees that—

(1) It will notify the Contracting Officer, simultaneous with its notification to the SBA (as required by SBA’s 8(a) regulations at 13 CFR 124.306), when the owner or owners upon whom 8(a) eligibility is based plan to


Defense Acquisition Regulations System, DOD 252.222–7002

restrictions on employment of personnel. (MAR 2000)

(a) The Contractor shall employ, for the purpose of performing that portion of the contract work in ., individuals who are residents thereof and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform the contract.

(b) The Contractor shall insert the substance of this clause, including this paragraph (b), in each subcontract awarded under this contract.

(End of clause)

[65 FR 14463, Mar. 16, 2000]

252.222–7001 Right of first refusal of employment—Closure of military installations.

As prescribed in 222.7102, use the following clause:

RIGHT OF FIRST REFUSAL OF EMPLOYMENT—CLOSURE OF MILITARY INSTALLATIONS (APR 1992)

(a) The Contractor shall give Government employees, who have been or will be adversely affected by the closure of the military installation where this contract will be performed, the right of first refusal for employment openings under the contract. This right applies to positions for which the employee is qualified, if consistent with post-Government employment conflict of interest standards.

(b) Government personnel seeking preference under this clause shall provide the Contractor with evidence from the Government personnel office.

(End of clause)

[57 FR 52594, Nov. 4, 1992, as amended at 58 FR 28472, May 13, 1993]

252.222–7002 Compliance with local labor laws (overseas).

As prescribed in 222.7201(a), use the following clause:

COMPLIANCE WITH LOCAL LABOR LAWS (OVERSEAS) (JUN 1997)

(a) The Contractor shall comply with all—

(1) Local laws, regulations, and labor union agreements governing work hours; and

(2) Labor regulations including collective bargaining agreements, workers’ compensation, working conditions, fringe benefits, and labor standards or labor contract matters.

(b) The Contractor indemnifies and holds harmless the United States Government...

(End of clause)

from all claims arising out of the requirements of this clause. This indemnity includes the Contractor’s obligation to handle and settle, without cost to the United States Government, any claims or litigation concerning allegations that the Contractor or the United States Government, or both, have not fully complied with local labor laws or regulations relating to the performance of work required by this contract.

(c) Notwithstanding paragraph (b) of this clause, consistent with paragraphs 31.205–15(a) and 31.205–47(d) of the Federal Acquisition Regulation, the Contractor will be reimbursed for the costs of all fines, penalties, and reasonable litigation expenses incurred as a result of compliance with specific contract terms and conditions or written instructions from the Contracting officer.

(End of clause)

252.222–7003 Permit from Italian Inspectorate of Labor.

As prescribed in 222.7201(b), use the following clause:

PERMIT FROM ITALIAN INSPECTORATE OF LABOR (JUN 1997)

Prior to the date set for commencement of work and services under this contract, the Contractor shall obtain the prescribed permit from the Inspectorate of Labor having jurisdiction over the work site, in accordance with Article 5g of Italian Law Number 1369, dated October 23, 1960. The Contractor shall ensure that a copy of the permit is available at all reasonable times for inspection by the Contracting Officer or an authorized representative. Failure to obtain such permit may result in termination of the contract under the clause of the contract entitled “Default.”

(End of clause)

252.222–7004 Compliance with Spanish social security laws and regulations.

As prescribed in 222.7201(c), use the following clause:

COMPLIANCE WITH SPANISH SOCIAL SECURITY LAWS AND REGULATIONS (JUN 1997)

(a) The Contractor shall comply with all Spanish Government social security laws and regulations. Within 30 calendar days after the start of contract performance, the Contractor shall ensure that copies of the documents identified in paragraph (a)(1) through (a)(5) of this clause are available at all reasonable times for inspection by the Contracting Officer or an authorized representative. The Contractor shall retain the records in accordance with the Audit and Records clause of this contract.

(1) TC1—Certificate of Social Security Payments;
(2) TC2—List of Employees;
(3) TC2/1—Certificate of Social Security Payments for Trainees;
(4) Nominal (pay statements) signed by both the employee and the Contractor; and
(5) Informa de Situacion de Empresa (Report of the Condition of the Enterprise) from the Ministerio de Trabajo y S.S., Tesoreria General de la Seguridad Social (annotated with the pertinent contract number(s) next to the employee’s name).

(b) All TC1’s, TC2’s, and TC2/1’s shall contain a representation that they have been paid by either the Social Security Administration office or the Contractor’s bank or savings institution. Failure by the Contractor to comply with the requirements of this clause may result in termination of the contract under the clause of the contract entitled “Default.”

(End of clause)

252.222–7005 Prohibition on use of nonimmigrant aliens—Guam.

As prescribed in 222.7302, use the following clause:

PROHIBITION ON USE OF NONIMMIGRANT ALIENS—GUAM (SEP 1999)

The work required by this contract shall not be performed by any alien who is issued a visa or otherwise provided nonimmigrant status under Section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)). This prohibition does not apply to the performance of work by lawfully admitted citizens of the freely associated states of the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

(End of clause)

252.222–7006 Restrictions on the Use of Mandatory Arbitration Agreements.

As prescribed in 222.7405, use the following clause:
Restrictions on the Use of Mandatory Arbitration Agreements (DEC 2010)

(a) Definitions. As used in this clause—

Covered subcontractor means any entity that has a subcontract valued in excess of $1 million, except a subcontract for the acquisition of commercial items, including commercially available off-the-shelf items.

Subcontract means any contract, as defined in Federal Acquisition Regulation subpart 2.1, to furnish supplies or services for performance of this contract or a higher-tier subcontract thereunder.

(b) The Contractor—

(1) Agrees not to—

(i) Enter into any agreement with any of its employees or independent contractors that requires, as a condition of employment, that the employee or independent contractor agree to resolve through arbitration—

(A) Any claim under title VII of the Civil Rights Act of 1964; or

(B) Any tort related to or arising out of sexual assault or harassment, including assault and battery, intentional infliction of emotional distress, false imprisonment, or negligent hiring, supervision, or retention; or

(ii) Take any action to enforce any provision of an existing agreement with an employee or independent contractor that requires, as a condition of employment, that the employee or independent contractor agree to resolve through arbitration—

(A) Any claim under title VII of the Civil Rights Act of 1964; or

(B) Any tort related to or arising out of sexual assault or harassment, including assault and battery, intentional infliction of emotional distress, false imprisonment, or negligent hiring, supervision, or retention; and

(2) Certifies, by signature of the contract, that it requires each covered subcontractor to agree not to enter into, and not to take any action to enforce, any provision of any existing agreements, as described in paragraph (b)(1) of this clause, with respect to any employee or independent contractor performing work related to such subcontract.

(c) The prohibitions of this clause do not apply with respect to a contractor’s or subcontractor’s agreements with employees that may not be enforced in a court of the United States.

(d) The Secretary of Defense may waive the applicability of the restrictions of paragraph (b) of this clause in accordance with Defense Federal Acquisition Regulation Supplement 222.7404.

(End of clause)

252.223–7000 [Reserved]

252.223–7001 Hazard warning labels.

As prescribed in 223.303, use the following clause:

HAZARD WARNING LABELS (DEC 1991)

(a) “Hazardous material,” as used in this clause, is defined in the Hazardous Material Identification and Material Safety Data clause of this contract.

(b) The Contractor shall label the item package (unit container) of any hazardous material to be delivered under this contract in accordance with the Hazard Communication Standard (29 CFR 1910.1200 et seq). The Standard requires that the hazard warning label conform to the requirements of the standard unless the material is otherwise subject to the labelling requirements of one of the following statutes:

(1) Federal Insecticide, Fungicide and Rodenticide Act;

(2) Federal Food, Drug and Cosmetics Act;

(3) Consumer Product Safety Act;

(4) Federal Hazardous Substances Act; or

(5) Federal Alcohol Administration Act.

(c) The Offeror shall list which hazardous material listed in the Hazardous Material Identification and Material Safety Data clause of this contract will be labelled in accordance with one of the Acts in paragraphs (b) (1) through (5) of this clause instead of the Hazard Communication Standard. Any hazardous material not listed will be interpreted to mean that a label is required in accordance with the Hazard Communication Standard.

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<th>Material (if none, insert “none.”)</th>
<th>Act</th>
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(d) The apparently successful Offeror agrees to submit, before award, a copy of the hazard warning label for all hazardous materials not listed in paragraph (c) of this clause. The Offeror shall submit the label with the Material Safety Data Sheet being furnished under the Hazardous Material Identification and Material Safety Data clause of this contract.

(e) The Contractor shall also comply with MIL-STD-129, Marking for Shipment and Storage (including revisions adopted during the term of this contract).

(End of clause)

252.223–7002 Safety precautions for ammunition and explosives.

As prescribed in 223.370–5, use the following clause:
SAFETY PRECAUTIONS FOR AMMUNITION AND EXPLOSIVES (MAY 1994)

(a) Definition. Ammunition and explosives, as used in this clause—
   (1) Means liquid and solid propellants and explosives, pyrotechnics, incendiaries and smokes in the following forms:
      (i) Bulk,
      (ii) Ammunition;
      (iii) Rockets;
      (iv) Missiles;
      (v) Warheads;
      (vi) Devices; and
   (ii) Components of (i) through (vi), except for wholly inert items.
   (2) This definition does not include the following, unless the Contractor is using or incorporating these materials for initiation, propulsion, or detonation as an integral or component part of an explosive, an ammunition or explosive end item, or of a weapon system—
      (i) Inert components containing no explosives, propellants, or pyrotechnics;
      (ii) Flammable liquids;
      (iii) Acids;
      (iv) Oxidizers;
      (v) Powdered metals; or
      (vi) Other materials having fire or explosive characteristics.

(b) Safety requirements. (1) The Contractor shall comply with the requirements of the DoD Contractors' Safety Manual for Ammunition and Explosives, DoD 4145.26-M, hereafter referred to as “the manual,” in effect on the date of the solicitation for this contract. The Contractor shall also comply with any other additional requirements included in the schedule of this contract.
   (2) The Contractor shall allow the Government access to the Contractor’s facilities, personnel, and safety program documentation. The Contractor shall allow authorized Government representatives to evaluate safety programs, implementation, and facilities.

(c) Noncompliance with the manual. (1) If the Contracting Officer notifies the Contractor of any noncompliance with the manual or schedule provisions, the Contractor shall take immediate steps to correct the noncompliance. The Contractor is not entitled to reimbursement of costs incurred to correct noncompliances unless such reimbursement is specified elsewhere in the contract.
   (2) The Contractor has 30 days from the date of notification by the Contracting Officer to correct the noncompliance and inform the Contracting Officer of the actions taken. The Contracting Officer may direct a different time period for the correction of noncompliances.
   (3) If the Contractor refuses or fails to correct noncompliances within the time period specified by the Contracting Officer, the Government has the right to direct the Contractor to cease performance on all or part of this contract. The Contractor shall not resume performance until the Contracting Officer is satisfied that the corrective action was effective and the Contracting Officer so informs the Contractor.
   (4) The Contracting Officer may remove Government personnel at any time the Contractor is in noncompliance with any safety requirement of this clause.
   (5) If the direction to cease work or the removal of Government personnel results in increased costs to the Contractor, the Contractor shall not be entitled to an adjustment in the contract price or a change in the delivery or performance schedule unless the Contracting Officer later determines that the Contractor had in fact complied with the manual or schedule provisions. If the Contractor is entitled to an equitable adjustment, it shall be made in accordance with the Changes clause of this contract.

(d) Mishaps. If a mishap involving ammunition or explosives occurs, the Contractor shall—
   (1) Notify the Contracting Officer immediately;
   (2) Conduct an investigation in accordance with other provisions of this contract or as required by the Contracting Officer; and
   (3) Submit a written report to the Contracting Officer.

(e) Contractor responsibility for safety. (1) Nothing in this clause, nor any Government action or failure to act in surveillance of this contract, shall relieve the Contractor of its responsibility for the safety of—
      (i) The Contractor’s personnel and property;
      (ii) The Government’s personnel and property; or
      (iii) The general public.
   (2) Nothing in this clause shall relieve the Contractor of its responsibility for complying with applicable Federal, State, and local laws, ordinances, codes, and regulations (including those requiring the obtaining of licenses and permits) in connection with the performance of this contract.

(f) Contractor responsibility for contract performance. (1) Neither the number or frequency of inspections performed by the Government, nor the degree of surveillance exercised by the Government, relieve the Contractor of its responsibility for contract performance.
   (2) If the Government acts or fails to act in surveillance or enforcement of the safety requirements of this contract, this does not impose or add to any liability of the Government.

(g) Subcontractors. (1) The Contractor shall insert this clause, including this paragraph (g), in every subcontract that involves ammunition or explosives.
Defense Acquisition Regulations System, DOD 252.223–7004

(i) The clause shall include a provision allowing authorized Government safety representatives to evaluate subcontractor safety programs, implementation, and facilities as prescribed in paragraph (c) of this clause.

(ii) Note: The Government Contracting Officer or authorized representative shall notify the prime Contractor of all findings concerning subcontractor safety and compliance with the manual. The Contracting Officer or authorized representative may furnish copies to the subcontractor. The Contractor in turn shall communicate directly with the subcontractor, substituting its name for references to “the Government”. The Contractor and higher tier subcontractors shall also include provisions to allow direction to cease performance of the subcontract if a serious uncorrected or recurring safety deficiency potentially causes an imminent hazard to DoD personnel, property, or contract performance.

(2) The Contractor agrees to ensure that the subcontractor complies with all contract safety requirements. The Contractor will determine the best method for verifying the adequacy of the subcontractor’s compliance.

(3) The Contractor shall ensure that the subcontractor understands and agrees to the Government’s right to access to the subcontractor’s facilities, personnel, and safety program documentation to perform safety surveys. The Government performs these safety surveys of subcontractor facilities solely to prevent the occurrence of any mishap which would endanger the safety of DoD personnel or otherwise adversely impact upon the Government’s contractual interests.

(4) The Contractor shall notify the Contracting Officer or authorized representative before issuing any subcontract when it involves ammunition or explosives. If the proposed subcontract represents a change in the place of performance, the Contractor shall request approval for such change in accordance with the clause of this contract entitled “Change in Place of Performance—Ammunition and Explosives”.

As prescribed in 223.370–5, use the following clause:

CHANGE IN PLACE OF PERFORMANCE—AMMUNITION AND EXPLOSIVES (DEC 1991)

(a) The Offeror shall identify, in the “Place of Performance” provision of this solicitation, the place of performance of all ammunition and explosives work covered by the Safety Precautions for Ammunition and Explosives clause of this solicitation. Failure to furnish this information with the offer may result in rejection of the offer.

(b) The Offeror agrees not to change the place of performance of any portion of the offer covered by the Safety Precautions for Ammunition and Explosives clause contained in this solicitation after the date set for receipt of offers without the written approval of the Contracting Officer. The Contracting Officer shall grant approval only if there is enough time for the Government to perform the necessary safety reviews on the new proposed place of performance.

(c) If a contract results from this offer, the Contractor agrees not to change any place of performance previously cited without the advance written approval of the Contracting Officer.

(End of clause)

252.223–7004 Drug-free work force.

As prescribed in 223.570–2, use the following clause:

DRUG-FREE WORK FORCE (SEP 1988)

(a) Definitions. (1) Employee in a sensitive position, as used in this clause, means an employee who has been granted access to classified information; or employees in other positions that the Contractor determines involve national security, health or safety, or functions other than the foregoing requiring a high degree of trust and confidence.

(2) Illegal drugs, as used in this clause, means controlled substances included in Schedules I and II, as defined by section 802(6) of title 21 of the United States Code, the possession of which is unlawful under chapter 13 of that title. The term “illegal drugs” does not mean the use of a controlled substance pursuant to a valid prescription or other uses authorized by law.

(b) The Contractor agrees to institute and maintain a program for achieving the objective of a drug-free work force. While this clause defines criteria for such a program, contractors are encouraged to implement alternative approaches comparable to the criteria in paragraph (c) that are designed to achieve the objectives of this clause.

(c) Contractor programs shall include the following, or appropriate alternatives:

(1) Employee assistance programs emphasizing high level direction, education, counseling, rehabilitation, and coordination with available community resources;

(2) Supervisory training to assist in identifying and addressing illegal drug use by Contractor employees;

(End of clause)
(3) Provision for self-referrals as well as supervisory referrals to treatment with maximum respect for individual confidentiality consistent with safety and security issues;

(4) Provision for identifying illegal drug users, including testing on a controlled and carefully monitored basis. Employee drug testing programs shall be established taking account of the following:

(i) The Contractor shall establish a program that provides for testing for the use of illegal drugs by employees in sensitive positions. The extent of and criteria for such testing shall be determined by the Contractor based on considerations that include the nature of the work being performed under the contract, the employee’s duties, the efficient use of Contractor resources, and the risks to health, safety, or national security that could result from the failure of an employee adequately to discharge his or her position.

(ii) In addition, the Contractor may establish a program for employee drug testing—

(A) When there is a reasonable suspicion that an employee uses illegal drugs; or

(B) When an employee has been involved in an accident or unsafe practice;

(C) As part of or as a follow-up to counseling or rehabilitation for illegal drug use;

(D) As part of a voluntary employee drug testing program.

(iii) The Contractor may establish a program to test applicants for employment for illegal drug use.

(iv) For the purpose of administering this clause, testing for illegal drugs may be limited to those substances for which testing is prescribed by section 2.1 of subpart B of the “Mandatory Guidelines for Federal Workplace Drug Testing Programs”: (53 FR 11980 (April 11 1988)), issued by the Department of Health and Human Services.

(d) Contractors shall adopt appropriate personnel procedures to deal with employees who are found to be using drugs illegally. Contractors shall not allow any employee to remain on duty or perform in a sensitive position who is found to use illegal drugs until such times as the Contractor, in accordance with procedures established by the Contractor, determines that the employee may perform in such a position.

(e) The provisions of this clause pertaining to drug testing program shall not apply to the extent they are inconsistent with state or local law, or with an existing collective bargaining agreement; provided that with respect to the latter, the Contractor agrees that those issues that are in conflict will be a subject of negotiation at the next collective bargaining session.

(End of clause)

[57 FR 32737, July 23, 1992, as amended at 70 FR 73151, Dec. 9, 2005]

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252.223–7006  [Reserved]

252.223–7006 Prohibition on storage and disposal of toxic and hazardous materials.

As prescribed in 223.7103(a), use the following clause:

PROHIBITION ON STORAGE AND DISPOSAL OF TOXIC AND HAZARDOUS MATERIALS (APR 1993)

(a) Definitions. As used in this clause—

(1) Storage means a non-transitory, semi-permanent or permanent holding, placement, or leaving of material. It does not include a temporary accumulation of a limited quantity of a material used in or a waste generated or resulting from authorized activities, such as servicing, maintenance, or repair of Department of Defense (DoD) items, equipment, or facilities.

(2) Toxic or hazardous materials means:


(ii) Materials that are of an explosive, flammable, or pyrotechnic nature; or

(iii) Materials otherwise identified by the Secretary of Defense as specified in DoD regulations.

(b) In accordance with 10 U.S.C. 2692, the Contractor is prohibited from storing or disposing of non-DoD-owned toxic or hazardous materials on a DoD installation, except to the extent authorized by a statutory exception to 10 U.S.C. 2692 or as authorized by the Secretary of Defense or his designee.

Alternate I (NOV 1995). As prescribed in 223.7103(b), add the following paragraphs (c) and (d) to the basic clause:

(c) With respect to treatment or disposal authorized pursuant to 10 U.S.C. 2692(b)(9), and notwithstanding any other provision of the contract, the Contractor assumes all financial and environmental responsibility and liability resulting from any treatment or disposal of non-DoD-owned toxic or hazardous materials on a military installation. The Contractor shall indemnify, defend, and hold the Government harmless for all costs, liability, or penalties resulting from the Contractor’s treatment or disposal of non-DoD-owned toxic or hazardous materials on a military installation.

(d) The Contractor shall include this clause, including this paragraph (d), in each subcontract which requires, may require, or permits a subcontractor to treat or dispose
252.223-7007 Safeguarding sensitive conventional arms, ammunition, and explosives.

As prescribed in 223.7203, use the following clause:

SAFEGUARDING SENSITIVE CONVENTIONAL ARMS, AMMUNITION, AND EXPLOSIVES (SEP 1999)

(a) **Definition.** "Arms, ammunition, and explosives (AA&E)," as used in this clause, means those items within the scope (chapter I, paragraph B) of DoD 5100.76–M, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives.

(b) The requirements of DoD 5100.76–M apply to the following items of AA&E being developed, produced, manufactured, or purchased for the Government, or provided to the Contractor as Government-furnished property under this contract:

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<thead>
<tr>
<th>Nomenclature</th>
<th>National stock number</th>
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(c) The Contractor shall comply with the requirements of DoD 5100.76–M, as specified in the statement of work. The edition of DoD 5100.76–M in effect on the date of issuance of the solicitation for this contract shall apply.

(d) The Contractor shall allow representatives of the Defense Security Service (DSS), and representatives of other appropriate offices of the Government, access at all reasonable times into its facilities and those of its subcontractors, for the purpose of performing surveys, inspections, and investigations necessary to review compliance with the physical security standards applicable to this contract.

(e) The Contractor shall notify the cognizant DSS field office of any subcontract involving AA&E within 10 days after award of the subcontract.

(f) The Contractor shall ensure that the requirements of this clause are included in all subcontracts, at every tier—

1. For the development, production, manufacture, or purchase of AA&E;
2. When AA&E will be provided to the subcontractor as Government-furnished property.

(g) Nothing in this clause shall relieve the Contractor of its responsibility for complying with applicable Federal, state, and local laws, ordinances, codes, and regulations (including requirements for obtaining licenses and permits) in connection with the performance of this contract.

(End of clause)

252.223-7008 Prohibition of Hexavalent Chromium.

As prescribed in 223.7306, use the following clause:

PROHIBITION OF HEXAVALENT CHROMIUM (MAY 2011)

(a) **Definitions.** As used in this clause—

Homogeneous material means a material that cannot be mechanically disjointed into different materials and is of uniform composition.

Examples of homogeneous materials include individual types of plastics, ceramics, glass, metals, alloys, paper, board, resins, and surface coatings.

Homogeneous material does not include conversion coatings that chemically modify the substrate. Mechanically disjointed means that the materials can, in principle, be separated by mechanical actions such as unscrewing, cutting, crushing, grinding, and abrasive processes.

Prohibition. (1) Unless otherwise specified by the Contracting Officer, the Contractor shall not provide any deliverable or construction material under this contract that—

1. Contains hexavalent chromium in a concentration greater than 0.1 percent by weight in any homogeneous material; or
2. Requires the removal or reapplication of hexavalent chromium materials during subsequent sustainment phases of the deliverable or construction material.

(b) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (d), in all subcontracts for supplies, maintenance and repair services, or construction materials.

(c) If authorization for incorporation of hexavalent chromium in a deliverable or construction material is required, the Contractor shall submit a request to the Contracting Officer.

(d) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (d), in all subcontracts for supplies, maintenance and repair services, or construction materials.

(End of clause)


As prescribed in 225.1101(1)(i), use the following provision:
252.225–7001
BUY AMERICAN ACT—BALANCE OF PAYMENTS PROGRAM CERTIFICATE (DEC 2009)
(a) Definitions. “Commercially available off-the-shelf (COTS) item,” “component,” “domestic end product,” “foreign end product,” “qualifying country,” “qualifying country end product,” and “United States” have the meanings given in the Buy American Act and Balance of Payments Program clause of this solicitation.
(b) Evaluation. The Government—
(1) Will evaluate offers in accordance with the policies and procedures of Part 225 of the Defense Federal Acquisition Regulation Supplement; and
(2) Will evaluate offers of qualifying country end products without regard to the restrictions of the Buy American Act or the Balance of Payments Program.
(c) Certifications and identification of country of origin. (1) For all line items subject to the Buy American Act and Balance of Payments Program clause of this solicitation, the offeror certifies that—
(i) Each end product, except those listed in paragraph (c)(2) or (3) of this provision, is a domestic end product; and
(ii) For end products other than COTS items, components of unknown origin are considered to have been mined, produced, or manufactured outside the United States or a qualifying country.
(2) The offeror certifies that the following end products are qualifying country end products:

(Line Item Number)

(Country of Origin)

(3) The following end products are other foreign end products manufactured in the United States that do not qualify as domestic end products, i.e., an end product that is not a COTS item and does not meet the component test in paragraph (i) of the definition of “domestic end product”:

(Line Item Number)

(Country of Origin (If known))

(End of provision)

ALTERNATE I (DEC 2010)
As prescribed in 225.1101(2)(i), add the terms “South Caucasus/Central and South Asian (SC/CASA) state” and “South Caucasus/Central and South Asian (SC/CASA) state end product” in paragraph (a) and replace the phrase “qualifying country end products” in paragraphs (b)(2) and (c)(2) with the phrase “qualifying country end products or SC/CASA state end products.”

48 CFR Ch. 2 (10–1–11 Edition)

252.225–7001 Buy American Act and Balance of Payments Program.
As prescribed in 225.1101(2)(i), use the following clause:

BUY AMERICAN ACT AND BALANCE OF PAYMENTS PROGRAM (SEP 2011)
(a) Definitions. As used in this clause—
(1) Commercially available off-the-shelf (COTS) item—
(i) Means any item of supply (including construction material) that is—
(A) A commercial item (as defined in paragraph (i) of the definition of “commercial item” in section 2.101 of the Federal Acquisition Regulation);
(B) Sold in substantial quantities in the commercial marketplace; and
(C) Offered to the Government, under a contract or subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace; and
(ii) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. 40102), such as agricultural products and petroleum products.
(2) Component means an article, material, or supply incorporated directly into an end product.
(3) Domestic end product means—
(i) An unmanufactured end product that has been mined or produced in the United States; or
(ii) An end product manufactured in the United States if—
(A) The cost of its qualifying country components and its components that are mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. The cost of components includes transportation costs to the place of incorporation into the end product and U.S. duty (whether or not a duty-free entry certificate is issued). Scrap generated, collected, and prepared for processing in the United States is considered domestic. A component is considered to have been mined, produced, or manufactured in the United States (regardless of its source in fact) if the end product in which it is incorporated is manufactured in the United States and the component is of a class or kind for which the Government has determined that—
(I) Sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States; or
Defense Acquisition Regulations System, DOD 252.225–7002

(2) It is inconsistent with the public interest to apply the restrictions of the Buy American Act; or

(B) The end product is a COTS item.

(4) End product means those articles, materials, and supplies to be acquired under this contract for public use.

(5) Foreign end product means an end product other than a domestic end product.

(b) This clause implements the Buy American Act; or


(7) Qualifying country component means a component mined, produced, or manufactured in a qualifying country.

(8) Qualifying country end product means—

(A) Components mined, produced, or manufactured in a qualifying country.

(B) Components mined, produced, or manufactured in the United States.

(C) Components of foreign origin of a class or kind for which the Government has determined that sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States.

(D) United States means the 50 States, the District of Columbia, and outlying areas.

(b) This clause implements the Buy American Act (41 U.S.C. Section chapter 83). In accordance with 41 U.S.C. 1907, the component test of the Buy American Act is waived for an end product that is a COTS item (see section 12.505(a)(1) of the Federal Acquisition Regulation) unless otherwise specified, this clause applies to all line items in the contract.

(c) The Contractor shall deliver only domestic end products unless, in its offer, it specified delivery of other end products in the Buy American Act—Balance of Payments Program Certificate provision of the solicitation. If the Contractor certified in its offer that it will deliver a qualifying country end product or an SCCASA state end product, the Contractor shall deliver a qualifying country end product an SCCASA state end product, or, at the Contractor’s option, a domestic end product.


252.225–7002 Qualifying country sources as subcontractors.

As prescribed in 225.1101(3), use the following clause:

**Qualifying country sources as subcontractors (APR 2003)**

(a) **Definition. Qualifying country, as used in this clause, means any country set forth in subsection 225.872–1 of the Defense Federal Acquisition Regulation (FAR) Supplement.**

(b) Subject to the restrictions in section 225.872 of the Defense FAR Supplement, the Contractor shall not preclude qualifying country sources or U.S. sources from competing for subcontracts under this contract.

(End of clause)

[68 FR 15634, Mar. 31, 2003]

As prescribed in 225.7204(a), use the following provision:

**REPORT OF INTENDED PERFORMANCE OUTSIDE THE UNITED STATES AND CANADA—SUBMISSION WITH OFFER (OCT 2010)**

(a) Definition. United States, as used in this provision, means the 50 States, the District of Columbia, and outlying areas.

(b) The offeror shall submit, with its offer, a report of intended performance outside the United States and Canada if—

(1) The offer exceeds $12.5 million in value; and

(2) The offeror is aware that the offeror or a first-tier subcontractor intends to perform any part of the contract outside the United States and Canada that—

(i) Exceeds $650,000 in value; and

(ii) Could be performed inside the United States or Canada.

(c) Information to be reported includes that for—

(1) Subcontracts;

(2) Purchases; and

(3) Intracompany transfers when transfers originate in a foreign location.

(d) The offeror shall submit the report using—

(1) DD Form 2139, Report of Contract Performance Outside the United States; or

(2) A computer-generated report that contains all information required by DD Form 2139.

(e) The offeror may obtain a copy of DD Form 2139 from the Contracting Officer or via the Internet at http://www.dtic.mil/whs/directives/forms/formsprogram.htm.

(End of provision)


252.225–7004 Report of Intended Performance Outside the United States and Canada—Submission after Award.

As prescribed in 225.7204(b), use the following clause:

**REPORT OF INTENDED PERFORMANCE OUTSIDE THE UNITED STATES AND CANADA—SUBMISSION AFTER AWARD (OCT 2010)**

(a) Definition. United States, as used in this clause, means the 50 States, the District of Columbia, and outlying areas.

(b) Reporting requirement. The Contractor shall submit a report in accordance with this clause, if the Contractor or a first-tier subcontractor will perform any part of this contract outside the United States and Canada that—

(1) Exceeds $650,000 in value; and

(2) Could be performed inside the United States or Canada.

(c) Submission of reports. The Contractor—

(1) Shall submit a report as soon as practical after the information is known;

(2) To the maximum extent practicable, shall submit a report regarding a first-tier subcontractor at least 30 days before award of the subcontract;

(3) Need not resubmit information submitted with its offer, unless the information changes;

(4) Shall submit all reports to the Contracting Officer; and

(5) Shall submit a copy of each report to: Deputy Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), OUSD(AT&L)/DPAP(CPIC), Washington, DC 20301–3060.

(d) Report format. The Contractor—

(1) Shall submit reports using—

(i) DD Form 2139, Report of Contract Performance Outside the United States; or

(ii) A computer-generated report that contains all information required by DD Form 2139; and

(2) May obtain copies of DD Form 2139 from the Contracting Officer or via the Internet at http://www.dtic.mil/whs/directives/forms/formsprogram.htm.

(End of clause)


As prescribed in 225.1103(1), use the following clause:

**IDENTIFICATION OF EXPENDITURES IN THE UNITED STATES (JUN 2005)**

(a) Definition. United States, as used in this clause, means the 50 States, the District of Columbia, and outlying areas.

(b) This clause applies only if the Contractor is—

(1) A concern incorporated in the United States (including a subsidiary that is incorporated in the United States, even if the parent corporation is not incorporated in the United States); or

(2) An unincorporated concern having its principal place of business in the United States.

(c) On each invoice, voucher, or other request for payment under this contract, the
Contractor shall identify that part of the requested payment that represents estimated expenditures in the United States. The identification—
(1) May be expressed either as dollar amounts or as percentages of the total amount of the request for payment; and
(2) Should be based on reasonable estimates; and
(3) Shall state the full amount of the payment requested, subdivided into the following categories:
(i) U.S. products—expenditures for material and equipment manufactured or produced in the United States, including end products, components, or construction material, but excluding transportation;
(ii) U.S. services—expenditures for services performed in the United States, including all charges for overhead, other indirect costs, and profit under construction or service contracts;
(iii) Transportation on U.S. carriers—expenditures for transportation furnished by U.S. flag, ocean, surface, and air carriers; and
(iv) Expenditures not identified under paragraphs (c)(3)(i) through (iii) of this clause.

(c) Exception. Reporting under this clause is not required if—
(1) A foreign place of performance is the principal place of performance of the contract; and
(2) The Contractor specified the foreign place of performance in its offer.

(d) Submission of reports. The Contractor shall submit the reports required by this clause to: Deputy Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), OUSD(AT&L)/DPAP(CPIC), Washington, DC 20301–3060.

(e) Report format. The Contractor—
(1) Shall submit reports using—
(i) DD Form 2130, Report of Contract Performance Outside the United States; or
(ii) A computer-generated report that contains all information required by DD Form 2130;
(2) May obtain copies of DD Form 2130 from the Contracting Officer or via the Internet at http://www.dtic.mil/whs/directives/forms/formsprogram.htm.

(f) Subcontracts. The Contractor—
(1) Shall include the substance of this clause in all first-tier subcontracts exceeding $650,000, except those for commercial items, construction, ores, natural gases, utilities, petroleum products and crudes, timber (logs), or subsistence;
(2) Shall provide the number of this contract to its subcontractors required to submit reports under this clause; and
(3) Shall require the subcontractor, with respect to performance of its subcontract, to comply with the requirements directed to the Contractor in paragraphs (b) through (e) of this clause.

(End of clause)
252.225–7008  

(2) Owned or controlled by, or affiliated with, an element of the Government or armed forces of the People's Republic of China.

United States Munitions List means the munitions list of the International Traffic in Arms Regulation in 22 CFR Part 121.

(b) Any supplies or services covered by the United States Munitions List that are delivered under this contract may not be acquired, directly or indirectly, from a Communist Chinese military company.

(c) The Contractor shall insert the substance of this clause, including this paragraph (c), in all subcontracts for items covered by the United States Munitions List.

(End of clause)

[71 FR 53046, Sept. 8, 2006]

252.225–7008  

Restiction on Acquisition of Specialty Metals.

As prescribed in 225.7003–5(a)(1), use the following clause:

RESTRICTION ON ACQUISITION OF SPECIALTY METALS (JUL 2009)

(a) Definitions. As used in this clause—

(1) Alloy means a metal consisting of a mixture of a basic metallic element and one or more metallic, or non-metallic, alloying elements.

(i) For alloys named by a single metallic element (e.g., titanium alloy), it means that the alloy contains 50 percent or more of the named metal (by mass).

(ii) If two metals are specified in the name (e.g., nickel-iron alloy), those metals are the two predominant elements in the alloy, and together they constitute 50 percent or more of the alloy (by mass).

(2) Produce means the application of forces or processes to a specialty metal to create the desired physical properties through quenching or tempering of steel plate, gas atomization or sputtering of titanium, or final consolidation of non-melt derived titanium powder or titanium alloy powder.

(b) Specialty metal means—

(i) Steel—

(A) With a maximum alloy content exceeding one or more of the following limits: Manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or

(B) Containing more than 0.25 percent of any of the following elements: Aluminum, chromium, cobalt, molybdenum, nickel, niobium (columbium), titanium, tungsten, or vanadium;

(ii) Metal alloys consisting of—

(A) Nickel or iron-nickel alloys that contain a total of alloying metals other than nickel and iron in excess of 10 percent; or

(B) Cobalt alloys that contain a total of alloying metals other than cobalt and iron in excess of 10 percent;

(iii) Titanium and titanium alloys; or

(iv) Zirconium and zirconium alloys.

(d) Steel means an iron alloy that includes between .02 and 2 percent carbon and may include other elements.

(b) Any specialty metal delivered under this contract shall be melted or produced in the United States or its outlying areas.

(End of clause)

[74 FR 37639, July 29, 2009]

252.225–7009  

Restriction on Acquisition of Certain Articles Containing Specialty Metals.

As prescribed in 225.7003–5(a)(2), use the following clause:

RESTRICTION ON ACQUISITION OF CERTAIN ARTICLES CONTAINING SPECIALTY METALS (JAN 2011)

(a) Definitions. As used in this clause—

(1) Alloy means a metal consisting of a mixture of a basic metallic element and one or more metallic, or non-metallic, alloying elements.

(i) For alloys named by a single metallic element (e.g., titanium alloy), it means that the alloy contains 50 percent or more of the named metal (by mass).

(ii) If two metals are specified in the name (e.g., nickel-iron alloy), those metals are the two predominant elements in the alloy, and together they constitute 50 percent or more of the alloy (by mass).

(2) Assembly means an item forming a portion of a system or subsystem that—

(i) Can be provisioned and replaced as an entity; and

(ii) Incorporates multiple, replaceable parts.

(3) Commercial derivative military article means an item acquired by the Department of Defense that is or will be produced using the same production facilities, a common supply chain, and the same or similar production processes that are used for the production of articles predominantly used by the general public or by nongovernmental entities for purposes other than governmental purposes.

(4) Commercially available off-the-shelf item—

(i) Means any item of supply that is—

(A) A commercial item (as defined in paragraph (1) of the definition of “commercial item” in section 2.101 of the Federal Acquisition Regulation);

(B) Sold in substantial quantities in the commercial marketplace; and

(C) Offered to the Government, under this contract or a subcontract at any tier, without modification, in the same form in which
it is sold in the commercial marketplace; and
(ii) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. App. 1902), such as agricultural products and petroleum products.

(5) Component means any item supplied to the Government as part of an end item or of another component.

(6) Electronic component means an item that operates by controlling the flow of electrons or other electrically charged particles in circuits, using interconnections of electrical devices such as resistors, inductors, capacitors, diodes, switches, transistors, or integrated circuits. The term does not include structural or mechanical parts of an assembly containing an electronic component, and does not include any high performance magnets that may be used in the electronic component.

(7) End item means the final production product when assembled or completed and ready for delivery under a line item of this contract.

(b) High performance magnet means a permanent magnet that obtains a majority of its magnetic properties from rare earth metals (such as samarium).

(9) Produce means the application of forces or processes to a specialty metal to create the desired physical properties through quenching or tempering of steel plate, gas atomization or sputtering of titanium, or final consolidation of non-melt derived titanium powder or titanium alloy powder.

(10) Qualifying country means any country listed in the definition of “Qualifying country” at 225.003 of the Defense Federal Acquisition Regulation Supplement (DFARS).

(11) Required form means in the form of mill product, such as bar, billet, wire, slab, plate, or sheet, and in the grade appropriate for the production of—
(i) A finished end item to be delivered to the Government under this contract; or
(ii) A finished component assembled into an end item to be delivered to the Government under this contract.

(12) Specialty metal means—
(i) Steel—
(A) With a maximum alloy content exceeding one or more of the following limits: Manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or
(B) Containing more than 0.25 percent of any of the following elements: Aluminum, chromium, cobalt, molybdenum, nickel, niobium ( columbium), titanium, tungsten, or vanadium;
(ii) Metal alloys consisting of—
(A) Nickel or iron-nickel alloys that contain a total of alloying metals other than nickel and iron in excess of 10 percent; or
(B) Cobalt alloys that contain a total of alloying metals other than cobalt and iron in excess of 10 percent;
(iii) Titanium and titanium alloys; or
(iv) Zirconium and zirconium alloys.

(13) Steel means an iron alloy that includes between .02 and 2 percent carbon and may include other elements.

(14) Subsystem means a functional grouping of items that combine to perform a major function within an end item, such as electrical power, attitude control, and propulsion.

(b) Restriction. Except as provided in paragraph (c) of this clause, any specialty metals incorporated in items delivered under this contract shall be melted or produced in the United States, its outlying areas, or a qualifying country.

(c) Exceptions. The restriction in paragraph (b) of this clause does not apply to—
(1) Electronic components.
(2)(i) Commercially available off-the-shelf (COTS) items, other than—
(A) Specialty metal mill products, such as bar, billet, slab, wire, plate, or sheet, that have not been incorporated into COTS end items, subsystems, assemblies, or components;
(B) Forgings or castings of specialty metals, unless the forgings or castings are incorporated into COTS end items, subsystems, or assemblies;
(C) Commercially available high performance magnets that contain specialty metal, unless such high performance magnets are incorporated into COTS end items or subsystems; and
(D) COTS fasteners, unless—
(1) The fasteners are incorporated into COTS end items, subsystems, assemblies, or components; or
(2) The fasteners qualify for the commercial item exception in paragraph (c)(3) of this clause.

(ii) A COTS item is considered to be “without modification” if it is not modified prior to contractual acceptance by the next higher tier in the supply chain.

(A) Specialty metals in a COTS item that was accepted without modification by the next higher tier are excepted from the restriction in paragraph (b) of this clause, and remain excepted, even if a piece of the COTS item subsequently is removed (e.g., the end is removed from a COTS screw or an extra hole is drilled in a COTS bracket).

(B) Specialty metals that were not contained in a COTS item upon acceptance, but are added to the COTS item after acceptance, are subject to the restriction in paragraph (b) of this clause (e.g., a special reinforced handle made of specialty metal is added to a COTS item).

(C) If two or more COTS items are combined in such a way that the resultant item is not a COTS item, only the specialty metals involved in joining the COTS items together are subject to the restriction in paragraph (b) of this clause (e.g., a COTS aircraft
is outfitted with a COTS engine that is not the COTS engine normally provided with the aircraft).

(D) For COTS items that are normally sold in the commercial marketplace with various options, items that include such options are also COTS items. However, if a COTS item is offered to the Government with an option that is not normally offered in the commercial marketplace, that option is subject to the restriction in paragraph (b) of this clause (e.g., An aircraft is normally sold to the public with an option for installation kits. The Department of Defense requests a military-unique kit. The aircraft is still a COTS item, but the military-unique kit is not a COTS item and must comply with the restriction in paragraph (b) of this clause unless another exception applies).

(3) Fasteners that are commercial items, if the manufacturer of the fasteners certifies it will purchase, during the relevant calendar year, an amount of domestically melted or produced specialty metal, in the required form, for use in the production of fasteners for sale to the Department of Defense and other customers, that is not less than 50 percent of the total amount of the specialty metal that it will purchase to carry out the production of such fasteners for all customers.

(4) Items manufactured in a qualifying country.

(5) Specialty metals for which the Government has determined in accordance with DFARS 225.7003-3 that specialty metal melted or produced in the United States, its outlying areas, or a qualifying country, that are not covered by one of the other exceptions in this paragraph (e), if the total weight of such noncompliant specialty metals does not exceed 2 percent of the total weight of all specialty metals in the end item, as estimated in good faith by the Contractor. This exception does not apply to high performance magnets containing specialty metals.

(e) Subcontracts. The Contractor shall insert the substance of this clause in subcontracts for items containing specialty metals, to the extent necessary to ensure compliance of the end products that the Contractor will deliver to the Government. When inserting the substance of this clause in subcontracts, the Contractor shall—

(1) Modify paragraph (e)(6) of this clause as necessary to facilitate management of the minimal content exception;

(2) Exclude paragraph (d) of this clause; and

(3) Include this paragraph (e).

(End of clause)

[74 FR 37639, July 29, 2009, as amended at 76 FR 3538, Jan. 20, 2011]


As prescribed in 225.7003–5(b), use the following provision:
(a) Definitions. Commercial derivative military article, commercially available off-the-shelf item, produce, required form, and specialty metal, as used in this provision, have the meanings given in the clause of this solicitation entitled “Restriction on Acquisition of Certain Articles Containing Specialty Metals” (DFARS 252.225–7009).

(b) The offeror shall list in this paragraph any commercial derivative military articles it intends to deliver under any contract resulting from this solicitation using the alternative compliance for commercial derivative military articles, as specified in paragraph (d) of the clause of this solicitation entitled “Restriction on Acquisition of Certain Articles Containing Specialty Metals” (DFARS 252.225–7009). The offeror’s designation of an item as a “commercial derivative military article” will be subject to Government review and approval.

(c) If the offeror has listed any commercial derivative military articles in paragraph (b) of this provision, the offeror certifies that, if awarded a contract as a result of this solicitation, and if the Government approves the designation of the listed item(s) as commercial derivative military articles, the offeror and its subcontractor(s) will demonstrate that individually or collectively they have entered into a contractual agreement or agreements to purchase an amount of domestically melted or produced specialty metal in the required form, for use during the period of contract performance in the production of each commercial derivative military article and the related commercial article, that is not less than the Contractor’s good faith estimate of the greater of—

(1) An amount equivalent to 120 percent of the amount of specialty metal that is required to carry out the production of the commercial derivative military article (including the work performed under each subcontract); or

(2) An amount equivalent to 50 percent of the amount of specialty metal that will be purchased by the Contractor and its subcontractors for use during such period in the production of the commercial derivative military article and the related commercial article.

(d) For the purposes of this provision, the amount of specialty metal that is required to carry out the production of the commercial derivative military article includes specialty metal contained in any item, including commercially available off-the-shelf items, incorporated into such commercial derivative military articles.

(End of provision)
Turkey, United Kingdom of Great Britain and Northern Ireland.

(4) United States means the 50 States, the District of Columbia, and outlying areas.

(5) U.S.-flag vessel means a vessel of the United States or belonging to the United States, including any vessel registered or having national status under the laws of the United States.

(b) The Contractor shall deliver under this contract only such of the following items, either as end products or components, that have been grown, reprocessed, reused, or produced in the United States:

(1) Food.
(2) Clothing and the materials and components thereof, other than sensors, electronics, or other items added to, and not normally associated with, clothing and the materials and components thereof. Clothing includes items such as outerwear, headwear, underwear, nightwear, footware, hosiery, handwear, belts, badges, and insignia.
(3) Tents, tarpaulins, or covers.
(4) Cotton and other natural fiber products.
(5) Woven silk or woven silk blends.
(6) Spun silk yarn for cartridge cloth.
(7) Synthetic fabric, and coated synthetic fabric, including all textile fibers and yarns that are for use in such fabrics.
(8) Canvas products.
(9) Wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles).
(10) Any item of individual equipment (Federal Supply Class 8465) manufactured from or containing fibers, yarns, fabrics, or materials listed in this paragraph (b).

(c) This clause does not apply—

(1) To items listed in section 25.104(a) of the Federal Acquisition Regulation (FAR), or other items for which the Government has determined that a satisfactory quality and sufficient quantity cannot be acquired as and when needed at U.S. market prices;
(2) To incidental amounts of cotton, other natural fibers, or wool incorporated in an end product, for which the estimated value of the cotton, other natural fibers, or wool—

(i) Is not more than 10 percent of the total price of the end product; and
(ii) Does not exceed the simplified acquisition threshold in FAR part 2;
(3) To waste and byproducts of cotton, other natural fibers, or wool—

(i) That are for use in the production of propellants and explosives;
(ii) To foods, other than fish, shellfish, or seafood, that have been manufactured or processed in the United States, regardless of where the foods (and any component if applicable) were grown or produced. Fish, shellfish, or seafood manufactured or processed in the United States shall be provided in accordance with paragraph (d) of this clause;
(5) To chemical warfare protective clothing produced in a qualifying country; or
(6) To fibers and yarns that are for use in synthetic fabric or coated synthetic fabric (but does apply to the synthetic or coated synthetic fabric itself), if—

(i) The fabric is to be used as a component of an end product that is not a textile product. Examples of textile products, made in whole or in part of fabric, include—

(A) Draperies, floor coverings, furnishings, and bedding (Federal Supply Group 72, Household and Commercial Furnishings and Appliances);
(B) Items made in whole or in part of fabric in Federal Supply Group 83, Textile/leather/furs/apparel/findings/tents/flags, or Federal Supply Group 84, Clothing, Individual Equipment and Insignia;

(C) Upholstered seats (whether for household, office, or other use); and
(D) Parachutes (Federal Supply Class 1670); or

(ii) The fibers and yarns are para-aramid fibers and continuous filament para-aramid yarns manufactured in a qualifying country.

(d) (1) Fish, shellfish, and seafood delivered under this contract, or contained in foods delivered under this contract—

(i) Shall be taken from the sea by U.S.-flag vessels; or
(ii) If not taken from the sea, shall be obtained from fishing within the United States; and

(2) Any processing or manufacturing of the fish, shellfish, or seafood shall be performed on a U.S.-flag vessel or in the United States.

(End of clause)


252.225-7013 Duty-free entry.

As prescribed in 225.1101(4), use the following clause:

DUTY-FREE ENTRY (DEC 2009)

(a) Definitions. As used in this clause—

(1) “Component” means any item supplied to the Government as part of an end product or of another component.
(2) Customs territory of the United States means the 50 States, the District of Columbia, and Puerto Rico.

(3) Eligible product means—

(i) Designated country end product as defined in the Trade Agreements clause of this contract;
(ii) Free Trade Agreement country end product, other than a Bahrainian end product or a
Moroccan end product, as defined in the Buy American Act—Free Trade Agreements—Balance of Payments Program clause of this contract; or

(ii) Canadian end product as defined in Alternate I of the Buy American Act—Free Trade Agreements—Balance of Payments Program clause of this contract.

(iv) For foreign supplies for which the Government estimates that duty will exceed $200 per shipment, the notation shall be altered to include the name and address of the contractor, agent, or broker who will notify Commander, Defense Contract Management Agency (DCMA) New York, ATTN: Customs Team, DCMAE-GNTF, 207 New York Avenue, Staten Island, New York, 10305–5013, for execution of Customs Form 7501, 7501A, or 7506 and any required duty-free entry certificates.

(v) Gross weight in pounds (if freight is based on space tonnage, state cubic feet in addition to gross shipping weight).

(vi) Estimated value in U.S. dollars.

(vii) Activity address number of the contract administration office administering the prime contract, e.g., for DCMA Dayton, 83605A.

(f) Preparation of customs forms. (1) Except for shipments consigned to a military installation, the Contractor shall—

(A) Prepare any customs forms required for the entry of foreign supplies into the customs territory of the United States in connection with this contract; and

(B) Submit the completed customs forms to the District Director of Customs, with a copy to DCMA NY for execution of any required duty-free entry certificates.

(ii) Shipment consigned directly to a military installation will be released in accordance with sections 10.101 and 10.102 of the U.S. Customs regulations.

(2) For shipments containing both supplies that are to be accorded duty-free entry and supplies that are not, the Contractor shall—

(i) Claim duty-free entry only for supplies that are diverted to nongovernmental use, other than—

(i) Scrap or salvage; or

(ii) Competitive sale made, directed, or authorized by the Contracting Officer.

(ii) Pay duty on supplies, or any portion thereof, that are diverted to nongovernmental use, other than—

(i) Scrap or salvage; or

(ii) Competitive sale made, directed, or authorized by the Contracting Officer.

(d) Except as the Contractor may otherwise agree, the Government will execute duty-free entry certificates and will afford such assistance as appropriate to obtain the duty-free entry of supplies—

(1) For which no duty is included in the contract price in accordance with paragraph (b) of this clause; and

(2) For which shipping documents bear the notation specified in paragraph (e) of this clause.

(e) For foreign supplies for which the Government will issue duty-free entry certificates in accordance with this clause, shipping documents submitted to Customs shall—

(1) Consign the shipments to the appropriate—

(i) Military department in care of the Contractor, including the Contractor’s delivery address; or

(ii) Military installation; and

(2) Include the following information:

(i) Prime contract number and, if applicable, delivery order number.

(ii) Number of the subcontract for foreign supplies, if applicable.

(iii) Identification of the carrier.

(v) If the shipment will be consigned to other than a military installation, e.g., a domestic contractor’s plant, the shipping document notation shall be altered to include the name and address of the contractor, agent, or broker who will notify Commander, DCMA New York, for execution of the duty-free entry certificate. (If the shipment will be consigned to a contractor’s plant and no duty-free entry certificate is required due to a trade agreement, the Contractor shall claim duty-free entry under the applicable trade agreement and shall comply with the U.S. Customs Service requirements. No notification to Commander, DCMA New York, is required.)

(vi) Gross weight in pounds (if freight is based on space tonnage, state cubic feet in addition to gross shipping weight).
identify on the customs forms those items that are eligible for duty-free entry.

(g) The Contractor shall—

(1) Prepare (if the Contractor is a foreign supplier), or shall instruct the foreign supplier to prepare, a sufficient number of copies of the bill of lading (or other shipping document) so that at least two of the copies accompanying the shipment will be available for use by the District Director of Customs at the port of entry;

(2) Consign the shipment as specified in paragraph (e) of this clause; and

(3) Mark on the exterior of all packages—

(i) "UNITED STATES GOVERNMENT, DEPARTMENT OF DEFENSE"; and

(ii) The activity address number of the contract administration office administering the prime contract.

(h) The Contractor shall notify the Administrative Contracting Officer (ACO) in writing of any purchase of eligible products or qualifying country supplies to be accorded duty-free entry, that are to be imported into the customs territory of the United States for delivery to the Government or for incorporation in end items to be delivered to the Government. The Contractor shall furnish the notice to the ACO immediately upon award to the supplier and shall include in the notice—

(1) The Contractor’s name, address, and Commercial and Government Entity (CAGE) code;

(2) Prime contract number and, if applicable, delivery order number;

(3) Total dollar value of the prime contract or delivery order;

(4) Date of the last scheduled delivery under the prime contract or delivery order;

(5) Foreign supplier’s name and address;

(6) Number of the subcontract for foreign supplies;

(7) Total dollar value of the subcontract for foreign supplies;

(8) Date of the last scheduled delivery under the subcontract for foreign supplies;

(9) List of items purchased;

(10) An agreement that the Contractor will pay duty on supplies, or any portion thereof, that are diverted to nongovernmental use other than—

(i) Scrap or salvage; or

(ii) Competitive sale made, directed, or authorized by the Contracting Officer;

(11) Country of origin; and

(12) Scheduled delivery date(s).

(1) This clause does not apply to purchases of eligible products or qualifying country supplies in connection with this contract if—

(1) The supplies are identical in nature to supplies purchased by the Contractor or any subcontractor in connection with its commercial business; and

(2) It is not economical or feasible to account for such supplies so as to ensure that the amount of the supplies for which duty-free entry is claimed does not exceed the amount purchased in connection with this contract.

(i) The Contractor shall—

(1) Insert the substance of this clause, including this paragraph (j), in all subcontracts for—

(i) Qualifying country components; or

(ii) Nonqualifying country components for which the Contractor estimates that duty will exceed $200 per unit;

(2) Require subcontractors to include the number of this contract on all shipping documents submitted to Customs for supplies for which duty-free entry is claimed pursuant to this clause; and

(3) Include in applicable subcontracts—

(i) The name and address of the ACO for this contract;

(ii) The name, address, and activity address number of the contract administration office specified in this contract; and

(iii) The information required by paragraphs (h)(1), (2), and (3) of this clause.

(End of clause)

252.225–7014 [Reserved]

252.225–7015 Restriction on acquisition of hand or measuring tools.

As prescribed in 225.7002–3(b), use the following clause:

RESTRICTION ON ACQUISITION OF HAND OR MEASURING TOOLS (JUN 2005)

Hand or measuring tools delivered under this contract shall be produced in the United States or its outlying areas.

(End of clause)

252.225–7016 Restriction on acquisition of ball and roller bearings.

As prescribed in 225.7009–5, use the following clause:

RESTRICTION ON ACQUISITION OF BALL AND ROLLER BEARINGS (JUN 2011)

(a) Definitions. As used in this clause—

(1) Bearing component means the bearing element, retainer, inner race, or outer race.
Defense Acquisition Regulations System, DOD

252.225–7020

(2) **Component**, other than a bearing component, means any item supplied to the Government as part of an end product or of another component.

(3) **End product** means supplies delivered under a line item of this contract.

(b) Except as provided in paragraph (c) of this clause—

(1) Each ball and roller bearing delivered under this contract shall be manufactured in the United States, its outlying areas, or Canada; and

(2) For each ball or roller bearing, the cost of the bearing components manufactured in the United States, its outlying areas, or Canada shall exceed 50 percent of the total cost of the bearing components of that ball or roller bearing.

(c) The restriction in paragraph (b) of this clause does not apply to ball or roller bearings that are acquired as—

(1) Commercial components of a noncommercial end product; or

(2) Commercial or noncommercial components of a commercial component of a noncommercial end product.

(d) The restriction in paragraph (b) of this clause may be waived upon request from the Contractor in accordance with subsection 225.7009–4 of the Defense Federal Acquisition Regulation Supplement.

(e) If this contract includes DFARS clause 252.225–7009, Restriction on Acquisition of Certain Articles Containing Specialty Metals, all bearings that contain specialty metals, as defined in that clause, must meet the requirements of that clause.

(f) The Contractor shall insert the substance of this clause, including this paragraph (f), in all subcontracts for items containing welded shipboard anchor and mooring chain, four inches or less in diameter.

(End of clause)

[75 FR 76300, Dec. 8, 2010, as amended at 76 FR 32843, June 6, 2011]

252.225–7017 [Reserved]

252.225–7018 [Reserved]

252.225–7019 Restriction on acquisition of anchor and mooring chain.

As prescribed in 225.7007–3, use the following clause:

**Restriction on Acquisition of Anchor and Mooring Chain (Dec 2009)**

(a) **Definition.** “Component,” as used in this clause, means an article, material, or supply incorporated directly into an end product.

(b) Welded shipboard anchor and mooring chain, four inches or less in diameter, delivered under this contract—

(1) Shall be manufactured in the United States or its outlying areas, including cutting, heat treating, quality control, testing, and welding (both forging and shot blasting process); and

(2) The cost of the components manufactured in the United States or its outlying areas shall exceed 50 percent of the total cost of components.

(c) The Contractor may request a waiver of this restriction if adequate domestic supplies meeting the requirements in paragraph (b) of this clause are not available to meet the contract delivery schedule.

(d) The Contractor shall insert the substance of this clause, including this paragraph (d), in all subcontracts for items containing welded shipboard anchor and mooring chain, four inches or less in diameter.

(End of clause)


252.225–7020 Trade Agreements Certificate.

As prescribed in 225.1101(5)(i), use the following provision:

**Trade Agreements Certificate (Jan 2005)**

(a) **Definitions.** Designated country end product, nondesignated country end product, qualifying country end product, and U.S.-made end product have the meanings given in the Trade Agreements clause of this solicitation.

(b) **Evaluation.** The Government—

(1) Will evaluate offers in accordance with the policies and procedures of part 225 of the Defense Federal Acquisition Regulation Supplement; and

(2) Will consider only offers of end products that are U.S.-made, qualifying country, or designated country end products unless—

(i) There are no offers of such end products;

(ii) The offers of such end products are insufficient to fulfill the Government’s requirements; or

(iii) A national interest waiver has been granted.

(c) **Certification and identification of country of origin.** (1) For all line items subject to the Trade Agreements clause of this solicitation, the offeror certifies that each end product to be delivered under this contract, except those listed in paragraph (c)(2) of this provision, is a U.S.-made, qualifying country, or designated country end product.

(2) The following supplies are other nondesignated country end products:

<table>
<thead>
<tr>
<th>Line Item Number</th>
<th>Country of Origin</th>
</tr>
</thead>
</table>

(End of clause)
252.225–7021

(End of provision)

ALTERNATE I (DEC 2010)

As prescribed in 225.1101(b)(1), substitute the following paragraphs (a), (b)(2), and (c) for paragraph (a), (b)(2), and (c) of the basic clause:

(a) Definitions. “Designated country end product,” “nondesignated country end product,” “South Caucasus/Central and South Asian (SC/CASA) state,” “South Caucasus/Central and South Asian (SC/CASA) state end product,” and “U.S.-made end product” have the meanings given in the Trade Agreements different article of this solicitation.

(b)(2) Will consider only offers of end products that are U.S.-made, qualifying country, SC/CASA state, or designated country end products unless—

(c) Certification and identification of country of origin.

(1) For all line items subject to the Trade Agreement clause of this solicitation, the offeror certifies that each end product to be delivered under this contract, except those listed in paragraph (c)(2)(i) of this provision, is a U.S.-made, qualifying country, SC/CASA state, or designated country end product.

(2) The following supplies are SC/CASA state end products:

<table>
<thead>
<tr>
<th>Line Item Number</th>
<th>Country of Origin</th>
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</tbody>
</table>

(3) Designated country means—

(i) A World Trade Organization Government Procurement Agreement (WTO GPA) country (Aruba, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, or the United Kingdom);

(ii) A Free Trade Agreement country (Australia, Bahrain, Canada, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Morocco, Namibia, Peru, or Singapore);

(iii) A least developed country (Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, East Timor, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen, or Zambia); or

(iv) A Caribbean Basin country (Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bonaire, British Virgin Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saba, St. Kitts and
Defense Acquisition Regulations System, DOD 252.225–7021

Nevis, St. Lucia, St. Vincent and the Grenadines, Sint Eustatius, Sint Maarten, or Trinidad and Tobago).

(4) Designated country end product means a WTO GPA country end product, a Free Trade Agreement country end product, a least developed country end product, or a Caribbean Basin country end product.

(5) End product means those articles, materials, and supplies to be acquired under this contract for public use.

(b) Free Trade Agreement country end product means an article that—
(i) Is wholly the growth, product, or manufacture of a Free Trade Agreement country; or
(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a Free Trade Agreement country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(c) Least developed country end product means an article that—
(i) Is wholly the growth, product, or manufacture of a least developed country; or
(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a least developed country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(d) Nondesignated country end product means any end product that is not a U.S.-made end product or a designated country end product.

(9) Qualifying country means any country set forth in subsection 225.872–1 of the Defense Federal Acquisition Regulation Supplement.

(e) Qualifying country end product means—
(i) An unmanufactured end product mined or produced in a qualifying country; or
(ii) An end product manufactured in a qualifying country if the cost of the following types of components exceeds 50 percent of the cost of all its components:
(A) Components mined, produced, or manufactured in a qualifying country.
(B) Components mined, produced, or manufactured in the United States.
(C) Components of foreign origin of a class or kind for which the Government has determined that sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States.

(11) United States means the 50 States, the District of Columbia, and outlying areas.

(f) U.S.-made end product means an article that—
(i) Is mined, produced, or manufactured in the United States; or
(ii) Is substantially transformed in the United States into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.

(13) WTO GPA country end product means an article that—
(i) Is wholly the growth, product, or manufacture of a WTO GPA country; or
(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a WTO GPA country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(b) Unless otherwise specified, this clause applies to all items in the Schedule.

(c) The Contractor shall deliver under this contract only U.S.-made, qualifying country, or designated country end products unless—
(1) In its offer, the Contractor specified delivery of other nondesignated country end products in the Trade Agreements Certificate provision of the solicitation; and
(2)(i) Offers of U.S.-made, qualifying country, or designated country end products from responsive, responsible offerors are either not received or are insufficient to fill the Government’s requirements; or
(ii) A national interest waiver has been granted.

(d) The contract price does not include duty for end products or components for which the Contractor will claim duty-free entry.

(e) The HTSUS is available on the Internet at http://www.usitc.gov/tata/hts/bychapter/index.htm. The following sections of the HTSUS provide information regarding duty-free status of articles specified in paragraph (a)(2)(ii)(A) of this clause:
(1) General Note 3(c), Products Eligible for Special Tariff Treatment.

(3) Section XXII, Chapter 98, Subchapter II, Articles Exported and Returned, Advanced or Improved Abroad, U.S. Note 7(b).


(End of clause)

Alternate I (SEP 2008)
As prescribed in 225.1101(b)(11), add the following paragraph (a)(14) to the basic clause and substitute the following paragraph (c) for paragraph (c) of the basic clause:

(a)(14) Iraqi end product means an article that—
(1) Is wholly the growth, product, or manufacture of Iraq; or
(2) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in Iraq into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(c) The Contractor shall deliver under this contract only U.S.-made, qualifying country, SC/CASA state, or designated country end products unless—
(1) In its offer, the Contractor specified delivery of other nondesignated country end products in the Trade Agreements Certificate-inclusion of Iraqi end products; and
(2)(i) Offers of U.S.-made, qualifying country, SC/CASA state, or designated country end products from responsive, responsible offerors are either not received or are insufficient to fill the Government’s requirements; or
(ii) A national interest waiver has been granted.

(d) If the Contractor is from an SC/CASA state and delivers other nondesignated country end products, the Contractor shall inform its government of its participation in this acquisition and that it generally will not have such opportunity in the future unless its government provides reciprocal procurement opportunities to U.S. products and services and suppliers of such products and services.

Alternate II (DEC 2010)
As prescribed in 225.1101(b)(11), add the following new definitions to paragraph (a), substitute the following paragraph (c) for paragraph (c) of the basic clause, and add the following paragraph (d):

(a)(14) “South Caucasus-Central and South Asian (SC/CASA) state end product” means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

(15) “South Caucasus-Central and South Asian (SC/CASA) state end product” means an article that—
(1) Is wholly the growth, product, or manufacture of an SC/CASA state; or
(2)(i) Offers of U.S.-made, qualifying country, SC/CASA state, or designated country end products unless—
(1) In its offer, the Contractor specified delivery of other nondesignated country end products in the Trade Agreements Certificate-inclusion of Iraqi end products; and
(2)(i) Offers of U.S.-made, qualifying country, SC/CASA state, or designated country end products from responsive, responsible offerors are either not received or are insufficient to fill the Government’s requirements; or
(ii) A national interest waiver has been granted.

(d) If the Contractor is from an SC/CASA state, the Contractor shall inform its government of its participation in this acquisition and that it generally will not have such opportunity in the future unless its government provides reciprocal procurement opportunities to U.S. products and services and suppliers of such products and services.
end product, qualifying country end product, and U.S.-made end product have the meanings given in the Trade Agreements clause of this solicitation.

(b) Evaluation. The Government—

(1) Will evaluate offers in accordance with the policies and procedures of Part 225 of the Defense Federal Acquisition Regulation Supplement; and

(2) Will consider only offers of end products that are U.S.-made, qualifying country, Iraqi, or designated country end products unless—

(i) There are no offers of such end products;

(ii) The offers of such end products are insufficient to fulfill the Government’s requirements; or

(iii) A national interest waiver has been granted.

(c) Certification and identification of country of origin.

(1) For all line items subject to the Trade Agreements clause of this solicitation, the offeror certifies that each end product to be delivered under a contract resulting from this solicitation, except those listed in paragraph (c)(2) of this provision, is a U.S.-made, qualifying country, Iraqi, or designated country end product.

(2) The following supplies are other nondesignated country end products:

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Line Item Number</th>
</tr>
</thead>
</table>

(d) Evaluation. For the purpose of evaluating competitive offers, the Contracting Officer will increase by 50 percent the prices of offers of products or services that are not products or services from Iraq or Afghanistan.

(End of provision)

[73 FR 53155, Sept. 15, 2008, as amended at 75 FR 18039, Apr. 8, 2010]

252.225–7024 Requirement for products or services from Iraq or Afghanistan.

As prescribed in 225.7703–5(b), use the following clause:

REQUIREMENT FOR PRODUCTS OR SERVICES FROM IRAQ OR AFGHANISTAN (SEP 2008)

(a) Definitions. As used in this clause—

(1) Product from Iraq or Afghanistan means a product that is mined, produced, or manufactured in Iraq or Afghanistan.

(2) Service from Iraq or Afghanistan means a service that is performed in Iraq or Afghanistan predominantly by citizens or permanent resident aliens of Iraq or Afghanistan.

(b) Representation. The offeror represents that all products or services to be delivered under a contract resulting from this solicitation are products from Iraq or Afghanistan or services from Iraq or Afghanistan, except those listed in—

(1) Paragraph (c) of this provision; or

(2) Service from Iraq or Afghanistan means a service (including construction) that is performed in Iraq or Afghanistan predominantly by citizens or permanent resident aliens of Iraq or Afghanistan.

(c) Other products or services. The following offered products or services are not products from Iraq or Afghanistan or services from Iraq or Afghanistan:

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Line Item Number</th>
</tr>
</thead>
</table>

(d) Evaluation. For the purpose of evaluating competitive offers, the Contracting Officer will increase by 50 percent the prices of offers of products or services that are not products or services from Iraq or Afghanistan.

(End of clause)

[73 FR 53155, Sept. 15, 2008]

252.225–7025 Restriction on acquisition of forgings.

As prescribed in 225.7102–4, use the following clause:

RESTRICTION ON ACQUISITION OF FORGINGS (DEC 2009)

(a) Definitions. As used in this clause—

(1) Component means any item supplied to the Government as part of an end product or of another component.

(2) Domestic manufacture means manufactured in the United States, its outlying areas, or Canada.

(3) Forging items means—

<table>
<thead>
<tr>
<th>Items</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship propulsion shafts</td>
<td>Excludes service and landing craft shafts.</td>
</tr>
<tr>
<td>Periscope tubes</td>
<td>All.</td>
</tr>
</tbody>
</table>
(b) End products and their components delivered under this contract shall contain forging items that are of domestic manufacture only.

(c) The restriction in paragraph (b) of this clause may be waived upon request from the Contractor in accordance with subsection 225.7102–3 of the Defense Federal Acquisition Regulation Supplement.

(d) The Contractor shall retain records showing compliance with the restriction in paragraph (b) of this clause until 3 years after final payment and shall make the records available upon request of the Contracting Officer.

(e) The Contractor shall insert the substance of this clause, including this paragraph (e), in subcontracts for forging items or for other items that contain forging items.

(End of clause)


252.225–7026 Acquisition Restricted to Products or Services from Iraq or Afghanistan.

As prescribed in 225.7703–5(c), use the following clause:

ACQUISITION RESTRICTED TO PRODUCTS OR SERVICES FROM IRAQ OR AFGHANISTAN (APR 2010)

(a) Definitions. As used in this clause—

(1) Product from Iraq or Afghanistan means a product that is mined, produced, or manufactured in Iraq or Afghanistan.

(2) Service from Iraq or Afghanistan means a service (including construction) that is performed in Iraq or Afghanistan predominantly by citizens or permanent resident aliens of Iraq or Afghanistan.

(b) The Contractor shall provide only products from Iraq or Afghanistan or services from Iraq or Afghanistan under this contract.

(End of clause)

[73 FR 54155, Sept. 15, 2008, as amended at 75 FR 18039, Apr. 8, 2010]

252.225–7027 Restriction on contingent fees for foreign military sales.

As prescribed in 225.7307(a), use the following clause:

RESTRICTION ON CONTINGENT FEES FOR FOREIGN MILITARY SALES (APR 2003)

(a) Except as provided in paragraph (b) of this clause, contingent fees, as defined in the Covenant Against Contingent Fees clause of this contract, are generally an allowable cost, provided the fees are paid to—

(1) A bona fide employee of the Contractor; or

(2) A bona fide established commercial or selling agency maintained by the Contractor for the purpose of securing business.

(b) For foreign military sales, unless the contingent fees have been identified and payment approved in writing by the foreign customer before contract award, the following contingent fees are unallowable under this contract:

(1) For sales to the Government(s) of [list of countries], contingent fees in any amount.

(2) For sales to Governments not listed in paragraph (b)(1) of this clause, contingent fees exceeding $50,000 per foreign military sale case.

(End of clause)

[68 FR 15639, Mar. 31, 2003, as amended at 70 FR 73156, Dec. 9, 2005]

252.225–7028 Exclusionary policies and practices of foreign governments.

As prescribed in 225.7307(b), use the following clause:

EXCLUSIONARY POLICIES AND PRACTICES OF FOREIGN GOVERNMENTS (APR 2003)

The Contractor and its subcontractors shall not take into account the exclusionary policies or practices of any foreign government in employing or assigning personnel, if—

(a) The personnel will perform functions required by this contract, either in the United States or abroad; and

(b) The exclusionary policies or practices of the foreign government are based on race, religion, national origin, or sex.

(End of clause)

[68 FR 15639, Mar. 31, 2003, as amended at 70 FR 73156, Dec. 9, 2005]

252.225–7029 [Reserved]

252.225–7030 Restriction on Acquisition of Carbon, Alloy, and Armor Steel Plate.

As prescribed in 225.7011–3, use the following clause:
RESTRICTION ON ACQUISITION OF CARBON, ALLOY, AND ARMOR STEEL PLATE (DEC 2006)

(a) Carbon, alloy, and armor steel plate shall be melted and rolled in the United States or Canada if the carbon, alloy, or armor steel plate—

(1) Is in Federal Supply Class 9515 or is described by specifications of the American Society for Testing Materials or the American Iron and Steel Institute; and

(2)(i) Will be delivered to the Government for use in a Government-owned facility or a facility under the control of the Department of Defense; or

(ii) Will be purchased by the Contractor for use in a Government-owned facility or a facility under the control of the Department of Defense.

(b) This restriction—

(1) Applies to the acquisition of carbon, alloy, or armor steel plate as a finished steel mill product that may be used "as is" or may be used as an intermediate material for the fabrication of an end product; and

(2) Does not apply to the acquisition of an end product (e.g., a machine tool), to be used in the facility, that contains carbon, alloy, or armor steel plate as a component.

[71 FR 75894, Dec. 19, 2006]

252.225–7031 Secondary Arab boycott of Israel.

As prescribed in 225.7605, use the following provision:

SECONDARY ARAB BOYCOTT OF ISRAEL (JUN 2005)

(a) Definitions. As used in this provision—

(1) Foreign person means any person (including any individual, partnership, corporation, or other form of association) other than a United States person.

(2) United States means the 50 States, the District of Columbia, outlying areas, and the outer Continental Shelf as defined in 43 U.S.C. 1331.

(3) United States person is defined in 50 U.S.C. App. 2415(2) and means—

(i) Any United States resident or national (other than an individual resident outside the United States who is employed by other than a United States person);

(ii) Any domestic concern (including any permanent domestic establishment of any foreign concern); and

(iii) Any foreign subsidiary or affiliate (including any permanent foreign establishment) of any domestic concern that is controlled in fact by such domestic concern.

(b) Certification. If the offeror is a foreign person, the offeror certifies, by submission of an offer, that it—

(1) Does not comply with the Secondary Arab Boycott of Israel; and

(2) Is not taking or knowingly agreeing to take any action, with respect to the Secondary Boycott of Israel by Arab countries, which 50 U.S.C. App. 2407(a) prohibits a United States person from taking.

(End of provision)


As prescribed in 225.1101(8), use the following provision:

WAIVER OF UNITED KINGDOM LEVIES—EVALUATION OF OFFERS (APR 2003)

(a) Offered prices for contracts or subcontracts with United Kingdom (U.K.) firms may contain commercial exploitation levies assessed by the Government of the U.K. The offeror shall identify to the Contracting Officer all levies included in the offered price by describing—

(1) The name of the U.K. firm;

(2) The item to which the levy applies and the item quantity; and

(3) The amount of levy plus any associated indirect costs and profit or fee.

(b) In the event of difficulty in identifying levies included in a price from a prospective subcontractor, the offeror may seek advice through the Director of Procurement, United Kingdom Defence Procurement Office, British Embassy, 3100 Massachusetts Avenue NW., Washington, DC 20006.

(c) The U.S. Government may attempt to obtain a waiver of levies pursuant to the U.S./U.K. reciprocal waiver agreement of July 1987.

(1) If the U.K. waives levies before award of a contract, the Contracting Officer will evaluate the offer without the levy.

(2) If levies are identified but not waived before award of a contract, the Contracting Officer will evaluate the offer inclusive of the levies.

(3) If the U.K. grants a waiver of levies after award of a contract, the U.S. Government reserves the right to reduce the contract price by the amount of the levy waived plus associated indirect costs and profit or fee.

(End of provision)

252.225–7033 Waiver of United Kingdom levies.

As prescribed in 225.1101(9), use the following clause:

WAIVER OF UNITED KINGDOM LEVIES

(a) The U.S. Government may attempt to obtain a waiver of any commercial exploitation levies included in the price of this contract, pursuant to the U.S./United Kingdom (U.K.) reciprocal waiver agreement of July 1987. If the U.K. grants a waiver of levies included in the price of this contract, the U.S. Government reserves the right to reduce the contract price by the amount of the levy waived plus associated indirect costs and profit or fee.

(b) If the Contractor contemplates award of a subcontract exceeding $1 million to a U.K. firm, the Contractor shall provide the following information to the Contracting Officer before award of the subcontract:

(1) Name of the U.K. firm.
(2) Prime contract number.
(3) Description of item to which the levy applies.
(4) Quantity being acquired.
(5) Amount of levy plus any associated indirect costs and profit or fee.

(c) In the event of difficulty in identifying levies included in a price from a prospective subcontractor, the Contractor may seek advice through the Director of Procurement, United Kingdom Defence Procurement Office, British Embassy, 3100 Massachusetts Avenue NW., Washington, DC 20006.

(d) The Contractor shall insert the substance of this clause, including this paragraph (d), in any subcontract for supplies where a lower-tier subcontract exceeding $1 million with a U.K. firm is anticipated.

(End of clause)


252.225–7034 [Reserved]


As prescribed in 225.1101(10)(i), use the following provision:

BUY AMERICAN ACT—FREE TRADE AGREEMENTS—BALANCE OF PAYMENTS PROGRAM CERTIFICATE

Definitions. Bahrainian end product, commercially available off-the-shelf (COTS) item, component, domestic end product, Free Trade Agreement country, Free Trade Agreement country end product, foreign end product, Moroccan end product, Peruvian end product, qualifying country end product, and United States, as used in this provision, have the meanings given in the Buy American Act—Free Trade Agreements—Balance of Payments Program clause of this solicitation.

(b) Evaluation. The Government—

(1) Will evaluate offers in accordance with the policies and procedures of part 225 of the Defense Federal Acquisition Regulation Supplement; and

(2) For line items subject to Free Trade Agreements, will evaluate offers of qualifying country end products or Free Trade Agreement country end products other than Bahrainian end products or Moroccan end products, or Peruvian end products without regard to the restrictions of the Buy American Act or the Balance of Payments Program.

(c) Certifications and identification of country of origin. (1) For all line items subject to the Buy American Act—Free Trade Agreements—Balance of Payments Program clause of this solicitation, the offeror certifies that:

(i) Each end product, except the end products listed in paragraph (c)(2) of this provision, is a domestic end product; and

(ii) Components of unknown origin are considered to have been mined, produced, or manufactured outside the United States or a qualifying country.

(2) The offeror shall identify all end products that are not domestic end products.

(i) The offeror certifies that the following supplies are qualifying country (except Australian or Canadian) end products:

(Line Item Number) (Country of Origin)

(ii) The offeror certifies that the following supplies are Free Trade Agreement country end products other than Bahrainian end products, Moroccan end products, or Peruvian end products:

(Line Item Number) (Country of Origin)

(iii) The following supplies are other foreign end products, including end products manufactured in the United States that do not qualify as domestic end products, i.e., an end product that is not a COTS item and does not meet the component test in paragraph (ii) of the definition of “domestic end product”:

(Line Item Number) (Country of Origin)

(Country of Origin (If known))

(End of provision)

ALTERNATE I (JUN 2011)

As prescribed in 225.1101(10)(ii), substitute the phrase “Canadian end product” for the
Defense Acquisition Regulations System, DOD 252.225–7036

phrases “Bahrainian end product,” “Free Trade Agreement country,” “Free Trade Agreement country end product,” “Moroccan end product,” and “Peruvian end product” in paragraphs (a) of the basic provision; substitute the phrase “Canadian end products” for the phrase “Free Trade Agreement country end products other than Bahrainian end products or Peruvian end products” in paragraphs (b)(2) and (c)(2)(ii) of the basic provision; and delete the phrase “Australian or” from paragraph (c)(2)(i) of the basic provision.

ALTERNATE II (DEC 2010)

As prescribed in 225.1101(10)(ii), add the terms “South Caucasus/Central and South Asian (SC/CASA) state end product” and “South Caucasus/Central and South Asian (SC/CASA) state end product” in paragraph (a) and substitute the following paragraphs (b)(2) and (c)(2)(i) for paragraphs (b)(2) and (c)(2)(ii) of the basic clause:

(b)(2) For line items subject to Free Trade Agreements, will evaluate offers of qualifying country end products, SC/CASA state end products, or Free Trade Agreement country end products other than Bahrainian end products, Moroccan end products, or Peruvian end products without regard to the restrictions of the Buy American Act or the Balance of Payments Program.

(c)(2)(i) The offeror certifies that the following supplies are qualifying country end products, SC/CASA state end products, or Free Trade Agreement country end product, or Canadian end products: (Line Item Number) (Country of Origin)

(End of provision)

ALTERNATE III (DEC 2010)

As prescribed in 225.1101(10)(i), substitute the following paragraphs (a), (b)(2), (c)(2)(i), and (c)(2)(ii) for paragraphs (a), (b)(2), (c)(2)(i), and (c)(2)(ii) of the basic clause:

(a) Definitions. Commercial end product, commercially available off-the-shelf (COTS) item, domestic end product, foreign end product, qualifying country end products, South Caucasus/Central and South Asian (SC/CASA) state end product, and United States have the meanings given in the Buy American Act—Free Trade Agreements—Balance of Payments Program clause of this solicitation.

(b)(2) For line items subject to Free Trade Agreements, will evaluate offers of qualifying country end products, SC/CASA state end products, or Canadian end products without regard to the restrictions of the Buy American Act or the Balance of Payments Program.

(c)(2)(i) The offeror certifies that the following supplies are qualifying country end products (except Canadian) or SC/CASA state end products:

(Line Item Number) (Country of Origin)

(ii) The offeror certifies that the following supplies are Canadian end products:

(Line Item Number) (Country of Origin)


252.225–7036 Buy American Act—Free Trade Agreements—Balance of Payments Program

As prescribed in 225.1101(11)(i)(A), use the following clause:

BUY AMERICAN ACT—FREE TRADE AGREEMENTS—BALANCE OF PAYMENTS PROGRAM (DEC 2010)

(a) Definitions. As used in this clause—

(1) Bahrainian end product means an article that—

(i) Is wholly the growth, product, or manufacture of Bahrain; or

(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in Bahrain into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(2) Commercially available off-the-shelf (COTS) item—

(I) Means any item of supply (including construction material) that is—

(A) A commercial item (as defined in paragraph (1) of the definition of “commercial item” in section 2.101 of the Federal Acquisition Regulation); and

(B) Sold in substantial quantities in the commercial marketplace; and

(C) Offered to the Government, under a contract or subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace; and

(ii) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. 4002), such as agricultural products and petroleum products.

(3) Component means an article, material, or supply incorporated directly into an end product.

(4) Domestic end product means—

(I) An unmanufactured end product that has been mined or produced in the United States; or
(ii) An end product manufactured in the United States if—
(A) The cost of its qualifying country components and its components that are mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. The cost of components includes transportation costs to the place of incorporation into the end product and U.S. duty (whether or not a duty-free entry certificate is issued). Scrap generated, collected, and prepared for processing in the United States is considered domestic. A component is considered to have been mined, produced, or manufactured in the United States (regardless of its source in fact) if the end product in which it is incorporated is manufactured in the United States and the component is of a class or kind for which the Government has determined that—
(i) Sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States; or
(ii) It is inconsistent with the public interest to apply the restrictions of the Buy American Act; or
(B) The end product is a COTS item.
(5) End product means those articles, materials, and supplies to be acquired under this contract for public use.
(6) Foreign end product means an end product other than a domestic end product.
(7) Free Trade Agreement country means Australia, Bahrain, Canada, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Morocco, Nicaragua, Peru, or Singapore;
(8) Free Trade Agreement country and product means an article that—
(i) Is wholly the growth, product, or manufacture of a Free Trade Agreement country; or
(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a Free Trade Agreement country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.
(9) Components of foreign origin of a class or kind for which the Government has determined that sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States.
(10) Peruvian end product means an article that—
(i) Is wholly the growth, product, or manufacture of Peru; or
(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in Peru into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.
(12) Qualifying country component means a component mined, produced, or manufactured in a qualifying country.
(13) Qualifying country end product means—
(i) An unmanufactured end product mined or produced in a qualifying country; or
(ii) An end product manufactured in a qualifying country if the cost of the following types of components exceeds 50 percent of the cost of all its components:
(A) Components mined, produced, or manufactured in a qualifying country.
(B) Components mined, produced, or manufactured in the United States.
(C) Components of foreign origin of a class or kind for which the Government has determined that sufficient and reasonably available commercial quantities of a satisfactory quality are not mined, produced, or manufactured in the United States.
(14) United States means the 50 States, the District of Columbia, and outlying areas.
(b) Unless otherwise specified, this clause applies to all items in the Schedule.
(c) The Contractor shall deliver under this contract only domestic end products unless, in its offer, it specified delivery of qualifying country end products, Free Trade Agreement country end products other than Bahrainian end products or Moroccan end products, or other foreign end products in the Buy American Act—Free Trade Agreements—Balance of Payments Program Certificate provision of the solicitation. If the Contractor certified in its offer that it will deliver a qualifying country end product or a Free Trade
Defense Acquisition Regulations System, DOD 252.225–7036

Agreement country end product other than a Bahrainian end product or a Moroccan end product, the Contractor shall deliver a qualifying country end product, a Free Trade Agreement country end product other than a Bahrainian end product or a Moroccan end product, or, at the Contractor’s option, a domestic end product.

(i) The contract price does not include duty for end products or components for which the Contractor will claim duty-free entry.

(End of clause)

ALTERNATE I (JUL 2009) As prescribed in 225.1101(11)(1)(B), substitute the following paragraphs (a)(8) and (c) for paragraphs (a)(8) and (c) of the basic clause:

(a)(8) Canadian end product means an article that—

(i) Is wholly the growth, product, or manufacture of Canada; or

(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in Canada into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(c) The Contractor shall deliver under this contract only domestic end products unless, in its offer, it specified delivery of qualifying country end products, Canadian end products, Free Trade Agreement country end products other than Bahrainian end products, Moroccan end products, or Peruvian end products, or other foreign end products in the Buy American Act—Free Trade Agreements—Balance of Payments Program Certificate provision of the solicitation. If the Contractor certified in its offer that it will deliver a qualifying country end product, SC/CASA state end products, or a Free Trade Agreement country end product other than a Bahrainian end product, a Moroccan end product, or a Peruvian end product, the Contractor shall deliver a qualifying country end product, an SC/CASA state end product, a Free Trade Agreement country end product other than a Bahrainian end product, a Moroccan end product, or a Peruvian end product or, at the Contractor’s option, a domestic end product.

ALTERNATE II (DEC 2010)

As prescribed in 225.1101(11)(1)(A), add the following new definitions to paragraph (a) and substitute the following paragraph (c) for paragraph (c) of the basic clause:

(a)(14) South Caucasus/ Central and South Asian (SC/CASA) state end product means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

(15) South Caucasus/Central and South Asian (SC/CASA) state end product means an article that—

(i) Is wholly the growth, product, or manufacture of an SC/CASA state; or

(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the
value of those incidental services does not exceed the value of the product itself.

(15) *South Caucasus/ Central and South Asian (SC/CASA)* state means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

(16) *South Caucasus/ Central and South Asian (SC/CASA) state end product* means an article that—

(i) Is wholly the growth, product, or manufacture of an SC/CASA state; or

(ii) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply, provided that the value of those incidental services does not exceed the value of the product itself.

(c) The Contractor shall deliver under this contract only domestic end products unless, in its offer, it specified delivery of qualifying country end products, SC/CASA state end products, Canadian end products, or other foreign end products in the Buy American Act—Free Trade Agreements—Balance of Payments Program Certificate provision of the solicitation. If the Contractor certified in its offer that it will deliver a qualifying country end product, SC/CASA state end products, a Canadian end product or, at the Contractor’s option, a domestic end product.


as prescribed in 225.7006–4(a), use the following provision:

**EVALUATION OF OFFERS FOR AIR CIRCUIT BREAKERS (JUN 2005)**

(a) The offeror shall specify, in its offer, any intent to furnish air circuit breakers that are not manufactured in the United States or its outlying areas, Canada, or the United Kingdom.

(b) The Contracting Officer will evaluate offers by adding a factor of 50 percent to the offered price of air circuit breakers that are not manufactured in the United States or its outlying areas, Canada, or the United Kingdom.

(End of provision)

[70 FR 35548, June 21, 2005]

252.225–7038 Restriction on Acquisition of Air Circuit Breakers.

As prescribed in 225.7006–4(b), use the following clause:

**RESTRICTION ON ACQUISITION OF AIR CIRCUIT BREAKERS (JUN 2005)**

Unless otherwise specified in its offer, the Contractor shall deliver under this contract air circuit breakers manufactured in the United States or its outlying areas, Canada, or the United Kingdom.

(End of clause)

[70 FR 35548, June 21, 2005]

252.225–7039 Contractors performing private security functions.

As prescribed in 225.370–6, insert the following clause:

**CONTRACTORS PERFORMING PRIVATE SECURITY FUNCTIONS (AUG 2011)**

(a) Definition. 

*Private security functions* means activities engaged in by a contractor, including—

(i) Guarding of personnel, facilities, designated sites, or property of a Federal agency, the contractor or subcontractor, or a third party; or

(ii) Any other activity for which personnel are required to carry weapons in the performance of their duties.

(b) Requirements. The Contractor is required to—

(1) Ensure that all employees of the Contractor who are responsible for performing private security functions under this contract comply with any orders, directives, and instructions to Contractors performing private security functions that are identified in the contract for—

(i) Registering, processing, accounting for, managing, overseeing, and keeping appropriate records of personnel performing private security functions. This includes ensuring the issuance, maintenance, and return of Personal Identity Verification credentials in accordance with FAR 52.204–19, Personnel Identity Verification of Contractor Personnel, and DoD procedures, including revocation of any physical and/or logistical access (as defined by Homeland Security Presidential Directive (HSPD-12)) granted to such personnel;
Defense Acquisition Regulations System, DOD 252.225-7039

(ii) Applicable laws and regulations of the United States and the host country and applicable treaties and international agreements regarding performance of private security functions;

(iii) Orders, directives, and instructions issued by the applicable commander of a combatant command relating to weapons, equipment, force protection, security, health, safety, or relations and interaction with locals; and

(iv) Rules on the use of force issued by the applicable commander of a combatant command for personnel performing private security functions; and

(c) Remedies. In addition to other remedies available to the Government—

(1) The Contracting Officer may direct the Contractor, at its own expense, to remove and replace any Contractor personnel who fail to comply with or violate applicable requirements of this contract. Such action may be taken at the Government’s discretion without prejudice to its rights under any other provision of this contract, including termination for default. Required Contractor actions include—

(i) Ensuring the return of personal identity verification credentials;

(ii) Ensuring the return of other equipment issued to the employee under the contract; and

(iii) Revocation of any physical and/or logistical access granted to such personnel;

(2) The Contractor’s failure to comply with the requirements of this clause will be included in appropriate databases of past performance and may be considered in any responsibility determination or evaluation of past performance;

(3) If this is an award-fee contract, the Contractor’s failure to comply with the requirements of this clause shall be considered in the evaluation of the Contractor’s performance during the relevant evaluation period, and the Contracting Officer may treat such failure to comply as a basis for reducing or denying award fees for such period or for recovering all or part of award fees previously paid for such period; and

(4) This contract may be terminated for default if the Contractor fails to comply with the requirements of paragraph (b) of this clause or, if directed by the Contracting Officer, fails to remove or replace, at its own expense, any of its personnel who violate the requirements of paragraph (b) of this clause.

(d) Rule of construction. The duty of the Contractor to comply with the requirements of this clause shall not be reduced or diminished by the failure of a higher- or lower-tier
Contractor to comply with the clause requirements or by a failure of the contracting activity to provide required oversight.

(e) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (e), in all subcontracts that will be performed in areas of contingency operations, complex contingency operations, or other military operations or exercises designated by the Combatant Commander.

(End of clause)

[76 FR 52137, Aug. 19, 2011]


As prescribed in 225.7042-5(a), use the following clause:

**CONTRACTOR PERSONNEL AUTHORIZED TO ACCOMPANY U.S. ARMED FORCES DEPLOYED OUTSIDE THE UNITED STATES (JUN 2011)**

(a) Definitions. As used in this clause—

**Combatant Commander** means the commander of a unified or specified combatant command established in accordance with 10 U.S.C. 161.

**Designated operational area** means a geographic area designated by the combatant commander or subordinate joint force commander for the conduct or support of specified military operations.

**Law of war** means that part of international law that regulates the conduct of armed hostilities. The law of war encompasses all international law for the conduct of hostilities binding on the United States or its individual citizens, including treaties and international agreements to which the United States is a party, and applicable customary international law.

**Subordinate joint force commander** means a sub-unified commander or joint task force commander.

(b) General.

(1) This clause applies when Contractor personnel are authorized to accompany U.S. Armed Forces deployed outside the United States in—

(i) Contingency operations;

(ii) Humanitarian or peacekeeping operations; or

(iii) Other military operations or military exercises, when designated by the Combatant Commander.

(2) Contract performance in support of U.S. Armed Forces deployed outside the United States may require work in dangerous or austere conditions. Except as otherwise provided in the contract, the Contractor accepts the risks associated with required contract performance in such operations.

(3) Contractor personnel are civilians accompanying the U.S. Armed Forces.

(i) Except as provided in paragraph (b)(3)(ii) of this clause, Contractor personnel are only authorized to use deadly force in self-defense.

(ii) Contractor personnel performing security functions are also authorized to use deadly force when such force reasonably appears necessary to execute their security mission to protect assets/persons, consistent with the terms and conditions contained in their contract or with their job description and terms of employment.

(iii) Unless immune from host nation jurisdiction by virtue of an international agreement or international law, inappropriate use of force by contractor personnel authorized to accompany the U.S. Armed Forces can subject such personnel to United States or host nation prosecution and civil liability (see paragraphs (d) and (j)(3) of this clause).

(4) Service performed by Contractor personnel subject to this clause is not active duty or service under 38 U.S.C. 106 note.

(c) Support. (1)(i) The Combatant Commander will develop a security plan for protection of Contractor personnel in locations where there is not sufficient or legitimate civil authority, when the Combatant Commander decides it is in the interests of the Government to provide security because—

(A) The Contractor cannot obtain effective security services;

(B) Effective security services are unavailable at a reasonable cost; or

(C) Threat conditions necessitate security through military means.

(ii) The Contracting Officer shall include in the contract the level of protection to be provided to Contractor personnel.

(iii) In appropriate cases, the Combatant Commander may provide security through military means, commensurate with the level of security provided DoD civilians.

(2)(i) Generally, all Contractor personnel authorized to accompany the U.S. Armed Forces in the designated operational area are authorized to receive resuscitative care, stabilization, hospitalization at level III military treatment facilities, and assistance with patient movement in emergencies where loss of life, limb, or eyesight could occur. Hospitalization will be limited to stabilization and short-term medical treatment with an emphasis on return to duty or placement in the patient movement system.

(ii) When the Government provides medical treatment or transportation of Contractor personnel to a selected civilian facility, the Contractor shall ensure that the Government is reimbursed for any costs associated with such treatment or transportation.

(iii) Medical or dental care beyond this standard is not authorized unless specified elsewhere in this contract.

(3) Unless specified elsewhere in this contract, the Contractor is responsible for all
other support required for its personnel engaged in the designated operational area under this contract.

4) Contractor personnel must have a Synchrotron and Operational Tracker (SPOT)-generated letter of authorization signed by the Contracting Officer in order to process through a deployment center or to enter another country from or within the designated operational area. The letter of authorization also will identify any additional authorizations, privileges, or Government support that Contractor personnel are entitled to under this contract.

5) The Contractor shall ensure that its personnel authorized to accompany U.S. Armed Forces deployed outside the United States as specified in paragraph (b)(1) of this clause are familiar with and comply with, all applicable—

(i) United States, host country, and third country national laws;

(ii) Provisions of the law of war, as well as any other applicable treaties and international agreements;

(iii) United States regulations, directives, instructions, policies, and procedures; and

(iv) Orders, directives, and instructions issued by the Combatant Commander, including those relating to force protection, security, health, safety, or relations and interaction with local nationals.

6) The Contractor shall institute and implement an effective program to prevent violations of the law of war by its employees and subcontractors, including law of war training in accordance with paragraph (e)(1)(vii) of this clause.

7) The Contractor shall ensure that contractor employees accompanying U.S. Armed Forces are aware—

(i) Of the DoD definition of "sexual assault" in DoD 5495.01, Sexual Assault Prevention and Response Program;

(ii) That many of the offenses addressed by the definition are covered under the Uniform Code of Military Justice (see paragraph (e)(2)(iv) of this clause); and

(iii) That the offenses not covered by the Uniform Code of Military Justice may nevertheless have consequences to the contractor employees (see paragraph (h)(1) of this clause).

8) Pre-deployment requirements. (1) The Contractor shall ensure that the following requirements are met prior to deploying personnel authorized to accompany U.S. Armed Forces.

Specific requirements for each category may be specified in the statement of work or elsewhere in the contract.

(i) All required security and background checks are complete and acceptable.

(ii) All deploying personnel meet the minimum medical screening requirements and have received all required immunizations as specified in the contract. The Government will provide, at no cost to the Contractor, any theater-specific immunizations and/or medications not available to the general public.

9) Pre-deployment requirements. (ii) Deploying personnel have all necessary passports, visas, and other documents required to enter and exit a designated operational area and have a Geneva Conventions identity card, or the appropriate credential from the deployment center. Any Common Access Card issued to deploying personnel shall contain the access permissions allowed by the letter of authorization issued in accordance with paragraph (c)(4) of this clause.

10) All personnel have received personal security training. At a minimum, the training shall—

(A) Cover safety and security issues facing employees overseas;

(B) Identify safety and security contingency planning activities; and

(C) Identify ways to utilize safety and security personnel and other resources appropriately.

11) All personnel have received isolated personnel training, if specified in the contract, in accordance with DoD Instruction 1300.23, Isolated Personnel Training for DoD Civilian and Contractors.

12) Personnel have received law of war training as follows:

(A) Basic training is required for all Contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States. The basic training will be provided through—

(i) A military-run training center; or

(ii) A Web-based source, if specified in the contract or approved by the Contracting Officer.

(B) Advanced training, commensurate with their duties and responsibilities, may be required for some Contractor personnel as specified in the contract.

13) The Contractor shall notify all personnel who are not a host country national, or who are not ordinarily resident in the host country, that—

(i) Such employees, and dependents residing with such employees, who engage in conduct outside the United States that would constitute an offense punishable by imprisonment for more than one year if the conduct had been engaged in within the special maritime and territorial jurisdiction of the United States, may potentially be subject to the criminal jurisdiction of the United States in accordance with the Military Code of Justice (see paragraph (e)(2)(iv) of this clause).
Extraterritorial Jurisdiction Act of 2000 (18 U.S.C. 3621, et seq.); (ii) Pursuant to the War Crimes Act (18 U.S.C. 2441), Federal criminal jurisdiction also extends to conduct that is determined to constitute a war crime when committed by a civilian national of the United States; (iii) Other laws may provide for prosecution of U.S. nationals who commit offenses on the premises of U.S. diplomatic, consular, military or other U.S. Government missions outside the United States (18 U.S.C. 7(3)); and (iv) In time of declared war or a contingency operation, Contractor personnel authorized to accompany U.S. Armed Forces in the field are subject to the jurisdiction of the Uniform Code of Military Justice under 10 U.S.C. 802(a)(10).

(f) Personnel data. (1) The Contractor shall—

(i) Process through the deployment center designated in the contract, or as otherwise directed by the Contracting Officer, prior to deploying. The deployment center will conduct deployment processing to ensure visibility and accountability of Contractor personnel and to ensure that all deployment requirements are met, including the requirements specified in paragraph (e)(1) of this clause;

(ii) Use the point of departure and transportation mode directed by the Contracting Officer; and

(iii) Receive this data card.

(2) The Contractor shall ensure that all employees in the database have a current DD Form 93, Record of Emergency Data Card, on file with both the Contractor and the designated Government official. The Contracting Officer will inform the Contractor of the Government official designated to receive this data card.

(h) Contractor personnel. (1) The Contracting Officer may direct the Contractor, at its own expense, to remove and replace any Contractor personnel who jeopardize or interfere with mission accomplishment or who fail to comply with or violate applicable requirements of this contract. Such action may be taken at the Government’s discretion without prejudice to its rights under any other provision of this contract, including the Termination for Default clause.

(2) The Contractor shall have a plan on file showing how the Contractor would replace employees who are unavailable for deployment or who need to be replaced during deployment. The Contractor shall keep this plan current and provide a copy to the Contracting Officer upon request. The plan shall—

(i) Identify all personnel who are subject to military mobilization:

(ii) Detail how the position would be filled if the individual were mobilized; and

(iii) Identify all personnel who occupy a position that the Contracting Officer has designated as mission essential.

(3) Contractor personnel shall report to the Combatant Commander or a designee, or through other channels such as the military police, a judge advocate, or an inspector general, any suspected or alleged conduct for which there is credible information that such conduct—

(i) Constitutes violation of the law of war; or

(ii) Occurred during any other military operations and would constitute a violation of the law of war if it occurred during an armed conflict.

(1) Military clothing and protective equipment. (1) Contractor personnel are prohibited from wearing military clothing unless specifically authorized in writing by the Combatant Commander. If authorized to wear military clothing, Contractor personnel must—

(i) Wear distinctive patches, arm bands, nametags, or headgear, in order to be distinguishable from military personnel, consistent with force protection measures; and

(ii) Carry the written authorization with them at all times.

(iii) On the other hand, Contractor personnel may wear military-unique organizational clothing and individual equipment (OCIE) required for safety and security, such as ballistic, nuclear, biological, or chemical protective equipment.

(2) The deployment center, or the Combatant Commander, shall issue OCIE and shall provide training, if necessary, to ensure the safety and security of Contractor personnel.

(3) Contractor personnel shall ensure that all issued OCIE is returned to the point of issue, unless otherwise directed by the Contracting Officer.

(4) The Contractor shall report to the Combatant Commander, shall issue OCIE and shall provide training, if necessary, to ensure the safety and security of Contractor personnel.

(5) The Contractor shall ensure that all issued OCIE is returned to the point of issue, unless otherwise directed by the Contracting Officer.

(6) The Contractor shall report to the Combatant Commander, shall issue OCIE and shall provide training, if necessary, to ensure the safety and security of Contractor personnel.

(7) The Contractor shall ensure that all issued OCIE is returned to the point of issue, unless otherwise directed by the Contracting Officer.

(8) The Contractor shall report to the Combatant Commander, shall issue OCIE and shall provide training, if necessary, to ensure the safety and security of Contractor personnel.

(j) Weapons. (1) If the Contractor requests that its personnel performing in the designated operational area be authorized to carry weapons, the request shall be made through the Contracting Officer to the Combatant Commander, in accordance with DoD Instruction 3200.41, paragraph 6.3.4.1 or, if the contract is for security services, paragraph 6.3.5.3. The Combatant Commander will determine whether to authorize in-theater...
Defense Acquisition Regulations System, DOD 252.225–7041

Contractor personnel to carry weapons and what weapons and ammunition will be allowed.

(2) If the Contracting Officer, subject to the approval of the Combatant Commander, authorizes the carrying of weapons—
(i) The Contracting Officer may authorize the Contractor to issue Contractor-owned weapons and ammunition to specified employees; or
(ii) The Contracting Officer, in the event of a non-mandatory evacuation order, unless authorized in writing by the Contracting Officer, the Contractor shall maintain personnel on location sufficient to meet obligations under this contract.

(o) Mortuary affairs. Mortuary affairs for Contractor personnel who die while accompanying the U.S. Armed Forces will be handled in accordance with DoD Directive 1300.22, Mortuary Affairs Policy.

(p) Changes. In addition to the changes otherwise authorized by the Changes clause of this contract, the Contracting Officer may, at any time, by written order identified as a change order, make changes in the place of performance or Government-furnished facilities, equipment, material, services, or site. Any change order issued in accordance with this paragraph (p) shall be subject to the provisions of the Changes clause of this contract.

(q) Subcontracts. The Contractor shall incorporate the substance of this clause, including this paragraph (q), in all subcontracts when subcontractor personnel are authorized to accompany U.S. Armed Forces deployed outside the United States in—
(1) Contingency operations;
(2) Humanitarian or peacekeeping operations; or
(3) Other military operations or military exercises, when designated by the Combatant Commander.

(End of clause).


252.225–7041 Correspondence in English.

As prescribed in 225.1103(2), use the following clause:

CORRESPONDENCE IN ENGLISH (JUN 1997)

The Contractor shall ensure that all contract correspondence that is addressed to the United States Government is submitted in English or with an English translation.
252.225-7042 Authorization to perform.

As prescribed in 225.1103(3), use the following provision:

AUTHORIZATION TO PERFORM (APR 2003)

The offeror represents that it has been duly authorized to operate and to do business in the country or countries in which the contract is to be performed.

(End of provision)

252.225-7043 Antiterrorism/force protection policy for defense contractors outside the United States.

As prescribed in 225.1103(3), use the following provision:

ANTITERRORISM/FORCE PROTECTION POLICY FOR DEFENSE CONTRACTORS OUTSIDE THE UNITED STATES (MAR 2006)

Definition.

United States, as used in this clause, means the 50 States, the District of Columbia, and outlying areas.

(b) Except as provided in paragraph (c) of this clause, the Contractor and its subcontractors, if performing or traveling outside the United States under this contract, shall—

(1) Affiliate with the Overseas Security Advisory Council, if the Contractor or subcontractor is a U.S. entity;

(2) Ensure that Contractor and subcontractor personnel who are U.S. nationals and are in-country on a non-transitory basis, register with the U.S. Embassy, and that Contractor and subcontractor personnel who are third country nationals comply with any security related requirements of the Embassy of their nationality;

(3) Provide, to Contractor and subcontractor personnel, antiterrorism/force protection awareness information commensurate with that which the Department of Defense (DoD) provides to its military and civilian personnel and their families, to the extent such information can be made available prior to travel outside the United States; and

(4) Obtain and comply with the most current antiterrorism/force protection guidance for Contractor and subcontractor personnel.

The requirements of this clause do not apply to any subcontractor that is—

(1) A foreign government;

(2) A representative of a foreign government; or

(3) A foreign corporation wholly owned by a foreign government.

d) Information and guidance pertaining to DoD antiterrorism/force protection can be obtained from [Contracting Officer to insert applicable information cited in PGI 225.7403-1].

(End of provision)


As prescribed in 225.1103(3), use the following provision:

BALANCE OF PAYMENTS PROGRAM—CONSTRUCTION MATERIAL (DEC 2010)

(a) Definitions.

As used in this clause—

Commercially available off-the-shelf (COTS) item—

(i) Means any item of supply (including construction material) that is—

(1) A commercial item (as defined in paragraph (1) of the definition of “commercial item” in section 2.101 of the Federal Acquisition Regulation);

(ii) Sold in substantial quantities in the commercial marketplace; and

(iii) Offered to the Government, under a contract or subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace;

(ii) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. 40102), such as agricultural products and petroleum products.

Component means any article, material, or supply incorporated directly into construction material.

Construction material means an article, material, or supply brought to the construction site by the Contractor or subcontractor for incorporation into the building or work. The term also includes an item brought to the construction site preassembled from articles, materials, or supplies. However, emergency life safety systems, such as emergency lighting, fire alarm, and audio evacuation systems, that are discrete systems incorporated into a public building or work and that are produced as complete systems, are evaluated as a single and distinct construction material regardless of when or how the individual parts or components of those systems are delivered to the construction site. Materials purchased directly by the Government are supplies, not construction material.

Cost of components means—

(1) For components purchased by the Contractor, the acquisition cost, including
transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the construction material.

Domestic construction material means—

(1) An unmanufactured construction material mined or produced in the United States; or

(2) A construction material manufactured in the United States, if—

(i) The cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind for which nonavailability determinations have been made are treated as domestic; or

(ii) The construction material is a COTS item.

United States means the 50 States, the District of Columbia, and outlying areas.

(b) Domestic preference. This clause implements the Balance of Payments Program by providing a preference for domestic construction material. The Contractor shall use only domestic construction material in performing this contract, except for—

(1) Construction material valued at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation; (2) Information technology that is a commercial item; or

(3) The construction material or components listed by the Government as follows:

(Contracting Officer to list applicable excepted materials or indicate “none”)

(End of clause)

ALTERNATE I (DEC 2010)

As prescribed in 225.7503(a)(2), add the following definitions to paragraph (a) and replace the phrase “domestic construction material” in the second sentence of paragraph (b) with the phrase “domestic construction material or SC/CASA state construction material.”

“South Caucasus/Central and South Asian (SC/CASA) state” means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

“SC/CASA state construction material” means construction material that—

(1) Is wholly the growth, product, or manufacture of an SC/CASA state; or

(ii) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different construction material distinct from the material from which it was transformed.


As prescribed in 225.7503(b)(1), use the following clause:

BALANCE OF PAYMENTS PROGRAM—CONSTRUCTION MATERIAL UNDER TRADE AGREEMENTS (JUN 2011)

(a) Definitions. As used in this clause—

Caribbean Basin country construction material means a construction material that—

(1) Is wholly the growth, product, or manufacture of a Caribbean Basin country; or

(2) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in a Caribbean Basin country into a new and different construction material distinct from the materials from which it was transformed.

Commercially available off-the-shelf (COTS) item—

(1) Means any item of supply (including construction material) that is—

(i) A commercial item (as defined in paragraph (1) of the definition of “commercial item” in section 2.101 of the Federal Acquisition Regulation); (ii) Sold in substantial quantities in the commercial marketplace; and (iii) Offered to the Government, under a contract or subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace; and

(2) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. 40102), such as agricultural products and petroleum products.

Component means any article, material, or supply incorporated directly into construction material.

Construction material means an article, material, or supply brought to the construction site by the Contractor or a subcontractor for incorporation into the building or work. The term also includes an item brought to the site preassembled from articles, materials, or supplies. However, emergency life safety systems, such as emergency lighting, fire alarm, and audio evacuation systems, that are discrete systems incorporated into a public building or work and that are produced as...
complete systems, are evaluated as a single and distinct construction material regardless of when or how the individual parts or components of those systems are delivered to the construction site. Materials purchased directly by the Government are supplies, not construction material.

Cost of components means—
(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or
(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the construction material.

Designated country means—
(1) A World Trade Organization Government Procurement Agreement (WTO GPA) country (Aruba, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan (known in the World Trade Organization as “the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu” (Chinese Taipei)), or the United Kingdom);
(2) A Free Trade Agreement country (Australia, Bahrain, Canada, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Morocco, Nicaragua, Peru, or Singapore);
(3) A least developed country (Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, East Timor, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen, or Zambia); or
(4) A Caribbean Basin country (Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bolivia, British Virgin Islands, Curacao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saba, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sint Eustatius, Sint Maarten, or Trinidad and Tobago).

Designated country construction material means a construction material that is a WTO GPA country construction material, a Free Trade Agreement country construction material, a least developed country construction material, or a Caribbean Basin country construction material.

Domestic construction material means—
(1) An unmanufactured construction material mined or produced in the United States; or
(2) A construction material manufactured in the United States, if—
(i) The cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind for which nonavailability determinations have been made are treated as domestic; or
(ii) The construction material is a COTS item.

Free Trade Agreement country construction material means a construction material that—
(1) Is wholly the growth, product, or manufacture of a Free Trade Agreement country; or
(2) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in a Free Trade Agreement country into a new and different construction material distinct from the material from which it was transformed.

Least developed country construction material means a construction material that—
(1) Is wholly the growth, product, or manufacture of a least developed country; or
(2) In the case of a construction material that consists in whole or in part of materials from another country has been substantially transformed in a least developed country into a new and different construction material distinct from the materials from which it was transformed.

United States means the 50 States, the District of Columbia, and outlying areas.

WTO GPA country construction material means a construction material that—
(1) Is wholly the growth, product, or manufacture of a WTO GPA country; or
(2) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in a WTO GPA country into a new and different construction material distinct from the materials from which it was transformed.

(b) This clause implements the Balance of Payments Program by providing a preference for domestic construction material. In addition, the Contracting Officer has determined that the WTO GPA and Free Trade Agreements apply to this acquisition. Therefore,
the Balance of Payments Program restrictions are waived for designated country construction materials.

(c) The Contractor shall use only domestic or designated country construction material in performing this contract, except for—

1. Construction material valued at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation;
2. Information technology that is a commercial item; or
3. The construction material or components listed by the Government as follows:

[Contracting Officer to list applicable excepted materials or indicate "none"]

(End of clause)

ALTERNATE I (DEC 2010)

As prescribed in 225.7503(b)(2), add the following definition of “Bahrainian or Mexican construction material” to paragraph (a) of the basic clause, and substitute the following paragraphs (b) and (c) for paragraphs (b) and (c) of the basic clause:

Bahrainian or Mexican construction material means a construction material that—

1. Is wholly the growth, product, or manufacture of Bahrain or Mexico; or
2. In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in Bahrain or Mexico into a new and different construction material distinct from the materials from which it was transformed.

(b) This clause implements the Balance of Payments Program by providing a preference for domestic construction material. In addition, the Contracting Officer has determined that the WTO GPA, Free Trade Agreements, and other waivers relating to acquisitions in support of operations in Afghanistan apply to this acquisition. Therefore, the Balance of Payments Program restrictions are waived for SC/CASA state and designated country construction materials.

(c) The Contractor shall use only domestic, SC/CASA state, or designated country construction material in performing this contract, except for—

1. Construction material valued at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation; or
2. Information technology that is a commercial item; or
3. The construction material or components listed by the Government as follows:

[Contracting Officer to list applicable excepted materials or indicate "none"]

ALTERNATE II (JUN 2011)

As prescribed in 225.7503(b)(3), add the following definitions to paragraph (a); substitute the following paragraph (b) and the introductory text of paragraph (c) for paragraph (b) and the introductory text of paragraph (c) of the basic clause; and add the following paragraph (d):

South Caucasus/Central and South Asian (SC/CASA) state means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

SC/CASA state construction material means construction material that—

1. Is wholly the growth, product, or manufacture of an SC/CASA state; or
2. In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different construction material distinct from the material from which it was transformed.

(b) This clause implements the Balance of Payments Program by providing a preference for domestic construction material. In addition, the Contracting Officer has determined that the WTO GPA, Free Trade Agreements, and other waivers relating to acquisitions in support of operations in Afghanistan apply to this acquisition. Therefore, the Balance of Payments Program restrictions are waived for SC/CASA state and designated country construction materials.

(c) The Contractor shall use only domestic, SC/CASA state, or designated country construction material in performing this contract, except for—

1. Construction material valued at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation; or
2. Information technology that is a commercial item; or
3. The construction material or components listed by the Government as follows:

[Contracting Officer to list applicable excepted materials or indicate "none"]

ALTERNATE III (JUN 2011)

As prescribed in 225.7503(b)(4), add the following definitions to paragraph (a); substitute the following paragraph (b) and the introductory text of paragraph (c) for paragraph (b) and the introductory text of paragraph (c) of the basic clause; and add the following paragraph (d):

South Caucasus/Central and South Asian (SC/CASA) state means Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, or Uzbekistan.

SC/CASA state construction material means construction material that—

1. Is wholly the growth, product, or manufacture of an SC/CASA state; or
2. In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in an SC/CASA state into a new and different construction material distinct from the materials from which it was transformed.

(b) This clause implements the Balance of Payments Program by providing a preference for domestic construction material. In addition, the Contracting Officer has determined that the WTO GPA, Free Trade Agreements, and other waivers relating to acquisitions in support of operations in Afghanistan apply to this acquisition. Therefore, the Balance of Payments Program restrictions are waived for SC/CASA state and designated country construction materials.

(c) The Contractor shall use only domestic, SC/CASA state, or designated country construction material in performing this contract, except for—

1. Construction material valued at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation; or
2. Information technology that is commercial material; or
3. The construction material or components listed by the Government as follows:

[Contracting Officer to list applicable excepted materials or indicate "none"]

(End of clause)
from another country, has been substantially transformed in an SCC/CASA state into a new and different construction material distinct from the material from which it was transformed.

(b) This clause implements the Balance of Payments Program by providing a preference for domestic construction material. In addition, the Contracting Officer has determined that the WTO GPA, all Free Trade Agreements except NAFTA and the Bahrain Free Trade Agreement, and other waivers relating to acquisitions in support of operations in Afghanistan apply to this acquisition. Therefore, the Balance of Payments Program restrictions are waived for SCC/CASA state and designated country construction material other than Bahrainian or Mexican construction material.

(c) The Contractor shall use only domestic, SCC/CASA state, or designated country construction material other than Bahrainian or Mexican construction material in performing this contract, except for—

(d) If the Contractor is from an SCC/CASA state, the Contractor shall inform its Government of its participation in this acquisition and that it generally will not have such opportunity in the future unless its Government provides reciprocal procurement opportunities to U.S. products and services.


252.226–7000 Notice of historically black college or university and minority institution set-aside.

As prescribed in 226.370—9(a), use the following clause:

NOTICE OF HISTORICALLY BLACK COLLEGE OR UNIVERSITY AND MINORITY INSTITUTION SET-ASIDE (APR 1994)

(a) Definitions. Historically black colleges and universities, as used in this clause, means institutions determined by the Secretary of Education to meet the requirements of 34 CFR 608.2. The term also means any non-profit research institution that was an integral part of such a college or university before November 14, 1986.

Minority institutions, as used in this clause, means institutions meeting the requirements of section 104(c)(3) of the Higher Education Act of 1965 (20 U.S.C. 1135d-5(c)). The term also includes Hispanic-serving institutions as defined in section 316(b)(1) of such Act (20 U.S.C. 1059c(b)(1)).

(b) General. (1) Offers are solicited only from historically black colleges or universities and minority institutions.

(2) Any award resulting from this solicitation will be made only to an offeror which is a historically black college or university or a minority institution at the time of submission of its initial offer including price.

(c) Agreements. The offeror will—

(1) Perform at least 50 percent of the cost of contract performance incurred for personnel with its own employees; and

(2) Upon request by the Contracting Officer, provide evidence prior to award that the Secretary of Education has determined the offeror to be a historically black college or university or minority institution.

(End of clause)


252.226–7001 Utilization of Indian organizations, Indian-owned economic enterprises, and native Hawaiian small business concerns.

As prescribed in 226.104, use the following clause:

UTILIZATION OF INDIAN ORGANIZATIONS, INDIAN-OWNED ECONOMIC ENTERPRISES, AND NATIVE HAWAIIAN SMALL BUSINESS CONCERNS (SEP 2004)

(a) Definitions. As used in this clause—

Indian means—

(1) Any person who is a member of any Indian tribe, band, group, pueblo, or community that is recognized by the Federal Government as eligible for services from the Bureau of Indian Affairs (BIA) in accordance with 25 U.S.C. 1629(c); and

(2) Any “Native” as defined in the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.).

Indian organization means the governing body of any Indian tribe or entity established or recognized by the governing body of an Indian tribe for the purposes of 25 U.S.C. chapter 17.

Indian-owned economic enterprise means any Indian-owned (as determined by the Secretary of the Interior) commercial, industrial, or business activity established or organized for the purpose of profit, provided that Indian ownership constitutes not less than 51 percent of the enterprise.

Indian tribe means any Indian tribe, band, group, pueblo, or community, including native villages and native groups (including corporations organized by Kenai, Juneau, Sitka, and Kodiak) as defined in the Alaska
Native Claims Settlement Act, that is recognized by the Federal Government as eligible for services from BIA in accordance with 25 U.S.C. 1452(a).

Native Hawaiian small business concern means an entity that is—

(1) A small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632) and relevant implementing regulations; and

(2) Owned and controlled by a Native Hawaiian as defined in 25 U.S.C. 4221(9).

(b) The Contractor shall use its best efforts to give Indian organizations, Indian-owned economic enterprises, and Native Hawaiian small business concerns the maximum practicable opportunity to participate in the subcontracts it awards, to the fullest extent consistent with efficient performance of the contract.

(c) The Contracting Officer and the Contractor, acting in good faith, may rely on the representation of an Indian organization, Indian-owned economic enterprise, or Native Hawaiian small business concern as to its eligibility, unless an interested party challenges its status or the Contracting Officer has independent reason to question that status.

(d) In the event of a challenge to the representation of a subcontractor, the Contracting Officer will refer the matter to—

(1) For matters relating to Indian organizations or Indian-owned economic enterprises: U.S. Department of the Interior, Bureau of Indian Affairs, Attn: Chief, Division of Contracting and Grants Administration, 1949 C Street NW, MS–2626–MIB, Washington, DC 20240–4000. The BIA will determine the eligibility and will notify the Contracting Officer.

(2) For matters relating to Native Hawaiian small business concerns: Department of Hawaiian Home Lands, PO Box 1879, Honolulu, HI 96805. The Department of Hawaiian Home Lands will determine the eligibility and will notify the Contracting Officer.

(e) No incentive payment will be made—

(1) While a challenge is pending; or

(2) If a subcontractor is determined to be an ineligible participant.

(f) The Contractor, on its own behalf or on behalf of a subcontractor at any tier, may request an incentive payment in accordance with this clause.

The incentive amount that may be requested is 5 percent of the estimated cost, target cost, or fixed price included in the subcontract at the time of award to the Indian organization, Indian-owned economic enterprise, or Native Hawaiian small business concern.

(3) In the case of a subcontract for commercial items, the Contractor may receive an incentive payment only if the subcontracted items are produced or manufactured in whole or in part by an Indian organization, Indian-owned economic enterprise, or Native Hawaiian small business concern.

(4) The Contractor has the burden of proving the amount claimed and shall assert its request for an incentive payment prior to completion of contract performance.

(5) The Contracting Officer, subject to the terms and conditions of the contract and the availability of funds, will authorize an incentive payment of 5 percent of the estimated cost, target cost, or fixed price included in the subcontract awarded to the Indian organization, Indian-owned economic enterprise, or Native Hawaiian small business concern.

(6) If the Contractor requests and receives an incentive payment on behalf of a subcontractor, the Contractor is obligated to pay the subcontractor the incentive amount.

(g) The Contractor shall insert the substance of this clause, including this paragraph (g), in all subcontracts exceeding $500,000.


252.227-7000 Non-estoppel.

As prescribed at 227.7009–1, insert the following clause in patent releases, license agreements, and assignments:

N O N - E S T O P E L (O C T 1 9 6 6)

The Government reserves the right at any time to contest the enforceability, validity, scope of, or the title to any patent or patent application herein licensed without waiving or forfeiting any right under this contract.

(End of clause)

252.227-7001 Release of past infringement.

As prescribed at 227.7009–2(a), insert the following clause in patent releases, license agreements, and assignments:

R E L E A S E O F P A S T I N F R I N G E M E N T (A U G 1 9 6 4)

The Contractor hereby releases each and every claim and demand which he now has or may hereafter have against the Government for the manufacture or use by or for the Government prior to the effective date of this contract, of any inventions covered by (i) any of the patents and applications for patent identified in this contract, and (ii) any other patent or application for patent owned or hereafter acquired by him, insofar as and only to the extent that such other patent or patent application covers the manufacture,
252.227–7002 Readjustment of payments.

As prescribed at 227.7009–2(b), insert the following clause in patent releases, license agreements, and assignments:

**READJUSTMENT OF PAYMENTS (OCT 1966)**

(a) If any license, under substantially the same patents and authorizing substantially the same acts which are authorized under this contract, has been or shall hereafter be granted within the United States, on royalty terms which are more favorable to the licensee than those contained herein, the Government shall be entitled to the benefit of such more favorable terms with respect to all royalties accruing under this contract after the date such more favorable terms become effective, and the Contractor shall promptly notify the Secretary in writing of the granting of such more favorable terms.

(b) In the event any claim of any patent hereby licensed is construed or held invalid by decision of a court of competent jurisdiction, the requirement to pay royalties under this contract insofar as its arises solely by reason of such claim, and any other claim not materially different therefrom, shall be interpreted in conformity with the court's decision as to the scope of validity of such claims; Provided, however, that in the event such decision is modified or reversed on appeal, the requirement to pay royalties under this contract shall be interpreted in conformity with the final decision rendered on such appeal.

(End of clause)

252.227–7003 Termination.

As prescribed at 227.7009–2(c), insert the following clause in patent releases, license agreements, and assignments:

**TERMINATION (AUG 1984)**

Notwithstanding any other provision of this contract, the Government shall have the right to terminate the within license, in whole or in part, by giving the Contractor not less than thirty (30) days notice in writing of the date such termination is to be effective; provided, however, that such termination shall not affect the obligation of the Government to pay royalties which have accrued prior to the effective date of such termination.

(End of clause)

252.227–7004 License grant.

As prescribed at 227.7009–3(a), insert the following clause in patent releases, license agreements, and assignments:

**LICENSE GRANT (AUG 1984)**

(a) The Contractor hereby grants to the Government an irrevocable, nonexclusive, nontransferable, and paid up license under the following patents, applications for patent, and any patents granted on such applications, and under any patents which may issue as the result of any reissue, division or continuation thereof, to practice by or cause to be practiced for the Government throughout the world, any and all of the inventions thereunder, in the manufacture and use of any article or material, in the use of any method or process, and in the disposition of any article or material in accordance with law:

U.S. Patent No. __________________________
Date ________________________________
Application Serial No. ____________________
Filing Date ______________________________

Applicable international patents and foreign applications for patents, insofar as the Contractor has the right to grant licenses thereunder without incurring an obligation to pay royalties or other compensation to others solely on account of such grant.

(b) No rights are granted or implied by the agreement under any other patents other than as provided above or by operation of law.

(c) Nothing contained herein shall limit any rights which the Government may have obtained by virtue of prior contracts or by operation of law or otherwise.

(End of clause)

252.227–7005 License term.

As prescribed at 227.7009–3(b), insert one of the following clauses in patent releases, license agreements, and assignments:

**LICENSE TERM (OCT 2001)**

Alternate I (AUG 1984). The license hereby granted shall remain in full force and effect for the full term of each of the patents referred to in the “License Grant” clause of this contract and any and all patents hereafter issued on applications for patent referred to in such “License Grant” clause.

Alternate II (OCT 2001). The license hereby granted shall terminate on the ______ day
Defense Acquisition Regulations System, DOD

252.227–7009

LICENSE TERM—RUNNING ROYALTY (AUG 1984)

The license hereby granted shall remain in full force and effect for the full term of each of the patents referred to in the “License Grant” clause of this contract and any and all patents hereafter issued on applications for patent referred to above unless sooner terminated as elsewhere herein provided.

(End of clause)

252.227–7008 Computation of royalties.

As prescribed at 227.7009–4(c), insert the following clause in patent releases, license agreements, and assignments:

COMPUTATION OF ROYALTIES (AUG 1984)

Subject to the conditions hereinafter stated, royalties shall accrue to the Contractor under this agreement on all articles or materials embodying, or manufactured by the use of, any or all inventions claimed under any unexpired United States patent licensed herein, upon acceptance thereof by the Department of ______, at the rate of _____ percent of the net selling price of such articles or materials (amount) per (name of item)* whether manufactured by the Government or procured under a fixed price contract, and at the rate of (amount) per (name of item) acquired or manufactured by a Contractor performing under a cost-reimbursement contract. With respect to such articles or materials made by the Department of ______, “net selling price,” as used in this paragraph, means the actual cost of direct labor and materials without allowance for overhead and supervision.

(End of clause)

252.227–7009 Reporting and payment of royalties.

As prescribed at 227.7009–4(d), insert the following clause in patent releases, license agreements, and assignments:

REPORTING AND PAYMENT OF ROYALTIES (AUG 1984)

(a) The (procuring office) shall, on or before the sixtieth (60th) day next following the end of each yearly* period ending

(End of clause)

* Use bracketed matter as appropriate.

*The frequency, date, and length of reporting periods should be selected as appropriate to the particular circumstances of the contract.
252.227–7010  License to other Government agencies.

As prescribed at 227.7009–4(e), insert the following clause in patent releases, license agreements, and assignments:

LICENSE TO OTHER GOVERNMENT AGENCIES

The Contractor hereby agrees to grant a separate license under the patents, applications for patents, and improvements referred to in the “License Grant” clause of this contract, on the same terms and conditions as appear in this license contract, to any other department or agency of the Government at any time on receipt of a written request for such a license from such department or agency; Provided, however, that as to royalties which accrue under such separate licenses, reports and payments shall be made directly to the Contractor by each such other department or agency pursuant to the terms of such separate licenses. The Contractor shall notify the Licensee hereunder promptly upon receipt of any request for license hereunder.

(End of clause)

252.227–7011 Assignments.

As prescribed at 227.7010, insert the following clause in assignments.

ASSIGNMENT (AUG 1984)

The Contractor hereby conveys to the Government, as represented by the Secretary of , the entire right, title, and interest in and to the following patents (and applications for patent), in and to the inventions thereof, and in and to all claims and demands whatsoever for infringement thereof: (hereof aforeaccrued, the same to be held and enjoyed by the Government through its duly appointed representatives to the full extent of the terms of said patents and to the full extent of the terms of all patents which may be granted upon said applications for patent, or upon any division, continuation-in-part or continuation thereof):

U.S. Patent No. __________________________

Date __________________________

Name of Inventor __________________________

U.S. Application Serial No. __________________________

Filing Date __________________________

Name of Inventor __________________________

(together with corresponding foreign patents and applications for patent insofar as the Contractor has the right to assign the same.)

(End of clause)


As prescribed at 227.7012, insert the following clause in patent releases, license agreements, and assignments:

As prescribed at 227.7009–4(e), insert the following clause in patent releases, license agreements, and assignments:

LICENSE TO OTHER GOVERNMENT AGENCIES

(Contract No.)

PATENT LICENSE AND RELEASE CONTRACT (SEP 1999)

This CONTRACT is effective as of the day of [month, year], between the UNITED STATES OF AMERICA (hereinafter called the Government), and (hereinafter called the Contractor), (a corporation organized and existing under the laws of the State of ), (a partnership consisting of ), (an individual trading as ), (a corporation organized and existing under the laws of the State of ), of the City of , in the State of .

Whereas, the Contractor warrants that it has the right to grant the within license and release, and the Government desires to procure the same, and

Whereas, this contract is authorized by law, including 10 U.S.C. 2386.

Now Therefore, in consideration of the grant, release and agreements hereinafter recited, the parties have agreed as follows:

Article 1. License Grant.*

(Insert the clause at 252.227–7004 for a paid up license, or the clause at 252.227–7006 for a license on a running royalty basis.)

Article 2. License Term.*

(Insert the appropriate alternative clause at 252.227–7005 for a paid up license, or the
Defense Acquisition Regulations System, DOD

252.227–7013

Rights in technical data—Noncommercial items.

As prescribed in 227.7103–6(a), use the following clause:

RIGHTS IN TECHNICAL DATA—NONCOMMERCIAL ITEMS (SEP 2011)

(a) Definitions. As used in this clause—

(1) Computer data base means a collection of data recorded in a form capable of being processed by a computer. The term does not include computer software.

(2) Computer program means a set of instructions, rules, or routines recorded in a form that is capable of causing a computer to perform a specific operation or series of operations.

(3) Computer software means computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae and related material that would enable the software to be reproduced, recreated, or recompiled. Computer software does not include computer data bases or computer software documentation.

(4) Computer software documentation means owner’s manuals, user’s manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capability of the computer software or provide instructions for using the software.

(5) Covered Government support contractor means a contractor under a contract, the primary purpose of which is to furnish independent and impartial advice or technical assistance directly to the Government in support of the Government’s management and oversight of a program or effort (rather than to directly furnish an end item or service to accomplish a program or effort), provided that the contractor—

(i) Is not affiliated with the prime contractor or a first-tier subcontractor on the program or effort, or with any direct competitor of such prime contractor or any such first-tier subcontractor in furnishing end items or services of the type developed or produced on the program or effort; and

(ii) Receives access to technical data or computer software for performance of a Government contract that contains the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(6) Detailed manufacturing or process data means technical data that describe the steps, sequences, and conditions of manufacturing, processing or assembly used by the manufacturer to produce an item or component or to perform a process.

(7) Developed means that an item, component, or process exists and is workable. Thus, the item or component must have been constructed or the process practiced. Workability is generally established when the item, component, or process has been analyzed or tested sufficiently to demonstrate to reasonable people skilled in the applicable art that there is a high probability that it will operate as intended. Whether, how much, and what type of analysis or testing is required to establish workability depends on the nature of the item, component, or process, and the state of the art. To be considered “developed,” the item, component, or process need not be at the stage where it could be offered for sale or sold on the commercial market, nor must the item, component, or

\[64 \text{ FR } 49685, \text{ Sept. } 14, 1999\]
process be actually reduced to practice within the meaning of Title 35 of the United States Code.

(B) Developed exclusively at private expense means development was accomplished entirely with costs charged to indirect cost pools, costs not allocated to a government contract, or any combination thereof.

(i) Private expense determinations should be made at the lowest practicable level.

(ii) Under fixed-price contracts, when total costs are greater than the firm-fixed-price or ceiling price of the contract, the additional development costs necessary to complete development shall not be considered when determining whether development was at government, private, or mixed expense.

(b) Developed exclusively with government funds means development was not accomplished exclusively or partially at private expense.

(10) Developed with mixed funding means development was accomplished partially with costs charged to indirect cost pools and costs not allocated to a government contract, and partially with costs charged directly to a government contract.

(11) Form, fit, and function data means technical data that describes the required overall physical, functional, and performance characteristics (along with the qualification requirements, if applicable) of an item, component, or process to the extent necessary to permit identification of physically and functionally interchangeable items.

(12) Government purpose means any activity in which the United States Government is a party, including cooperative agreements with international or multi-national defense organizations, or sales or transfers by the United States Government to foreign governments or international organizations. Government purposes include competitive procurement, but do not include the rights to use, modify, reproduce, release, perform, display, or disclose technical data for commercial purposes or authorize others to do so.

(13) Government purpose rights means the rights to—

(i) Use, modify, reproduce, release, perform, display, or disclose technical data within the Government without restriction; and

(ii) Release or disclose technical data outside the Government and authorize persons to whom release or disclosure has been made to use, modify, reproduce, release, perform, display, or disclose that data for United States government purposes.

(14) Limited rights means the rights to use, modify, reproduce, release, perform, display, or disclose technical data, in whole or in part, within the Government. The Government may not, without the written permission of the party asserting limited rights, release or disclose the technical data outside the Government, use the technical data for manufacture, or authorize the technical data to be used by another party, except that the Government may reproduce, release, or disclose such data or authorize the use or reproduction of the data by persons outside the Government if—

(i) The reproduction, release, disclosure, or use is—

(A) Necessary for emergency repair and overhaul; or

(B) A release or disclosure to—

(1) A covered Government support contractor, for use, modification, reproduction, performance, display, or release or disclosure to authorized person(s) in performance of a Government contract; or

(2) A foreign government, of technical data other than detailed manufacturing or process data, when use of such data by the foreign government is in the interest of the Government and is required for evaluational or informational purposes;

(ii) The recipient of the technical data is subject to a prohibition on the further reproduction, release, disclosure, or use of the technical data; and

(iii) The contractor or subcontractor asserting the restriction is notified of such reproduction, release, disclosure, or use.

(15) Technical data means recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation). The term does not include computer software or data incidental to contract administration, such as financial and/or management information.

(16) Unlimited rights means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

(b) Rights in technical data. The Contractor grants or shall obtain for the Government the following royalty free, world-wide, non-exclusive, irrevocable license rights in technical data other than computer software documentation (see the Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation clause of this contract for rights in computer software documentation):

(1) Unlimited rights. The Government shall have unlimited rights in technical data that are—

(i) Data pertaining to an item, component, or process which has been or will be developed exclusively with Government funds;

(ii) Studies, analyses, test data, or similar data produced for this contract, when the study, analysis, test, or similar work was specified as an element of performance;

(iii) Created exclusively with Government funds in the performance of a contract that
does not require the development, manufacture, construction, or production of items, components, or processes;

(iv) Form, fit, and function data;

(v) Necessary for installation, operation, maintenance, or training purposes (other than detailed manufacturing or process data);

(vi) Corrections or changes to technical data furnished to the Contractor by the Government;

(vii) Otherwise publicly available or have been released or disclosed by the Contractor or subcontractor without restrictions on further use, release or disclosure, other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the technical data to another party or the sale or transfer of some or all of a business entity or its assets to another party;

(viii) Data in which the Government has obtained unlimited rights under another Government contract or as a result of negotiations; or

(ix) Data furnished to the Government, under this or any other Government contract or subcontract thereunder, with—

(A) Government purpose license rights or limited rights and the restrictive conditions have expired; or

(B) Government purpose rights and the Contractor’s exclusive right to use such data for commercial purposes has expired.

(2) Government purpose rights. (i) The Government shall have government purpose rights for a five-year period, or such other period as may be negotiated, in technical data—

(A) That pertain to items, components, or processes developed with mixed funding except when the Government is entitled to unlimited rights in such data as provided in paragraphs (b)(ii) and (b)(iv) through (b)(ix) of this clause; or

(B) Created with mixed funding in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes.

(ii) The five-year period, or such other period as may have been negotiated, shall commence upon execution of the contract, subcontract, letter contract (or similar contractual instrument), contract modification, or option exercise that required development of the items, components, or processes or creation of the data described in paragraph (b)(2)(i)(B) of this clause. Upon expiration of the five-year or other negotiated period, the Government shall have unlimited rights in the technical data.

(iii) The Government shall not release or disclose technical data in which it has government purpose rights unless—

(A) Prior to release or disclosure, the intended recipient is subject to the non-disclosure agreement at 227.7103-7 of the Defense Federal Acquisition Regulation Supplement (DFARS); or

(B) The recipient is a Government contractor receiving access to the data for performance of a Government contract that contains the clause at DFARS 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends;

(iv) The Contractor has the exclusive right, including the right to license others, to use technical data in which the Government has obtained government purpose rights under this contract for any commercial purpose during the time period specified in the government purpose rights legend prescribed in paragraph (f)(2) of this clause.

(3) Limited rights. (i) Except as provided in paragraphs (b)(1)(i) and (b)(1)(iv) through (b)(1)(ix) of this clause, the Government shall have limited rights in technical data—

(A) Pertaining to items, components, or processes developed exclusively at private expense and marked with the limited rights legend prescribed in paragraph (f) of this clause; or

(B) Created exclusively at private expense in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes.

(ii) The Government shall require a recipient of limited rights data for emergency repair or overhaul to destroy the data and all copies in its possession promptly following completion of the emergency repair/overhaul and to notify the Contractor that the data have been destroyed.

(iii) The Contractor, its subcontractors, and suppliers are not required to provide the Government additional rights to use, modify, reproduce, release, perform, display, or disclose technical data furnished to the Government with limited rights. However, if the Government desires to obtain additional rights in technical data in which it has limited rights, the Contractor agrees to promptly enter into negotiations with the Contracting Officer to determine whether there are acceptable terms for transferring such rights. All technical data in which the Contractor has granted the Government additional rights shall be listed or described in a license agreement made part of the contract. The license shall enumerate the additional rights granted the Government in such data.

(iv) The Contractor acknowledges that—

(A) Limited rights data is authorized to be released or disclosed to covered Government support contractors;

(B) The Contractor will be notified of such release or disclosure;

(C) The Contractor (or the party asserting restrictions as identified in the limited rights legend) may require each such covered Government support contractor to enter into a non-disclosure agreement directly with the
Contractor (or the party asserting restrictions) regarding the covered Government support contractor’s use of such data, or alternatively, that the Contractor (or party asserting restrictions) may waive in writing the requirement for a non-disclosure agreement;
(D) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor’s use of the limited rights data as set forth in the clause at 252.227–7025, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement; and
(E) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request.
(4) Specifically negotiated license rights. The standard license rights granted to the Government under paragraphs (b)(1) through (b)(3) of this clause, including the period during which the Government shall have government purpose rights in technical data, may be modified by mutual agreement to provide such rights as the parties consider appropriate but shall not provide the Government lesser rights than are enumerated in paragraph (a)(13) of this clause. Any rights so negotiated shall be identified in a license agreement made part of this contract.
(5) Prior government rights. Technical data that will be delivered, furnished, or otherwise provided to the Government under this contract, which the Government has previously obtained rights shall be delivered, furnished, or provided with the pre-existing rights, unless—
(i) The parties have agreed otherwise; or
(ii) Any restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose the data have expired or no longer apply.
(6) Release from liability. The Contractor agrees to release the Government from liability for any release or disclosure of technical data made in accordance with paragraph (a)(13) or (b)(2)(iii) of this clause, in accordance with the terms of a license negotiated under paragraph (b)(4) of this clause, or by others to whom the recipient has released or disclosed the data and to seek relief solely from the party who has improperly used, modified, reproduced, released, performed, displayed, or disclosed Contractor data marked with restrictive legends.
Contractor rights in technical data. All rights not granted to the Government are retained by the Contractor;
(d) Third party copyrighted data. The Contractor shall not, without the written approval of the Contracting Officer, incorporate any copyrighted data in the technical data to be delivered under this contract unless the Contractor is the copyright owner or has obtained for the Government the license rights necessary to perfect a license or licenses in the deliverable data of the appropriate scope set forth in paragraph (b) of this clause, and has affixed a statement of the license or licenses obtained on behalf of the Government and other persons to the data transmitted document.
(e) Identification and delivery of data to be furnished with restrictions on use, release, or disclosure. (1) This paragraph does not apply to restrictions based solely on copyright.
(2) Except as provided in paragraph (e)(3) of this clause, technical data that the Contractor asserts should be furnished to the Government with restrictions on use, release, or disclosure are identified in an attachment to this contract (the Attachment). The Contractor shall not deliver any data with restrictive markings unless the data are listed on the Attachment.
(3) In addition to the assertions made in the Attachment, other assertions may be identified after award when based on new information or inadvertent omissions unless the inadvertent omissions would have materially affected the source selection decision. Such identification and assertion shall be submitted to the Contracting Officer as soon as practicable prior to the scheduled date for delivery of the data, in the following format, and signed by an official authorized to contractually obligate the Contractor: Identification and Assertion of Restrictions on the Government’s Use, Release, or Disclosure of Technical Data.
The Contractor asserts for itself, or the persons identified below, that the Government’s rights to use, release, or disclose the following technical data should be restricted—

<table>
<thead>
<tr>
<th>Technical data to be furnished with restrictions</th>
<th>Basis for assertion</th>
<th>Asserted rights category</th>
<th>Name of person asserting restrictions</th>
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1. If the assertion is applicable to items, components or processes developed at private expense, identify both the data and each such item, component, or process.
2. Generally, the development of an item, component, or process at private expense, either exclusively or partially, is the only basis for asserting restrictions on the Government’s rights to use, release, or disclose technical data pertaining to such items, components, or processes. Indicate whether development was exclusively or partially at private expense. If development was not at private expense, enter the specific reason for asserting that the Government’s rights should be restricted.
3. Enter asserted rights category (e.g., government purpose license rights from a prior contract, rights in SBIR data generated under another contract, limited or government purpose rights under this or a prior contract, or specifically negotiated licenses).
4. Corporation, individual, or other person, as appropriate.

Date
Printed Name and Title

Signature

Signature
(End of identification and assertion)

(4) When requested by the Contracting Officer, the Contractor shall provide sufficient information to enable the Contracting Officer to evaluate the Contractor’s assertions. The Contracting Officer reserves the right to add the Contractor’s assertions to the Attachment and validate any listed assertion, at a later date, in accordance with the procedures of the Validation of Restrictive Markings on Technical Data clause of this contract.

(i) Marking requirements. The Contractor, and its subcontractors or suppliers, may only assert restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose technical data to be delivered under this contract by marking the deliverable data subject to restriction. Except as provided in paragraph (f)(5) of this clause, only the following legends are authorized under this contract: the government purpose rights legend at paragraph (f)(2) of this clause; the limited rights legend at paragraph (f)(3) of this clause; or the special license rights legend at paragraph (f)(4) of this clause; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.

(1) General marking instructions. The Contractor, or its subcontractors or suppliers, shall conspicuously and legibly mark the appropriate legend on all technical data that qualify for such markings. The authorized legends shall be placed on the transmittal document or storage container and, for printed material, each page of the printed material containing technical data for which restrictions are asserted. When only portions of a page of printed material are subject to the asserted restrictions, such portions shall be identified by circling, underscoring, with a note, or other appropriate identifier. Technical data transmitted directly from one computer or computer terminal to another shall contain a notice of asserted restrictions. Reproductions of technical data or any portions thereof subject to asserted restrictions shall also reproduce the asserted restrictions.

(2) Government purpose rights markings. Data delivered or otherwise furnished to the Government purpose rights shall be marked as follows:

Government Purpose Rights

Contract No. ___________________________

Contractor Name _______________________

Contractor Address _____________________

Expiration Date _________________________

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose these technical data are restricted by paragraph (b)(2) of the Rights in Technical Data—Noncommercial Items clause contained in the above identified contract. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(3) Limited rights markings. Data delivered or otherwise furnished to the Government with limited rights shall be marked with the following legend:

Limited Rights

Contract No. ___________________________

Contractor Name _______________________

Contractor Address _____________________

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose these technical data are restricted by paragraph (b)(3) of the Rights in Technical Data—Noncommercial Items clause contained in the above identified contract. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such data must promptly notify the above named Contractor.

(End of legend)

(4) Special license rights markings. (i) Data in which the Government’s rights stem from a specifically negotiated license shall be marked with the following legend:

Special License Rights

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose these data are restricted by Contract No. ___________________________, License No. ___________________________. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(i) For purposes of this clause, special licenses do not include government purpose license rights acquired under a prior contract (see paragraph (b)(5) of this clause).

(5) Pre-existing data markings. If the terms of a prior contract or license permitted the Contractor to restrict the Government’s rights to use, modify, reproduce, release, perform, display, or disclose technical data delivered under this contract, and those restrictions are still applicable, the Contractor may mark such data with the appropriate restrictive legend for which the data qualified under the prior contract or license. The
marking procedures in paragraph (f)(1) of this clause shall be followed.

(g) Contractor procedures and records. Throughout performance of this contract, the contractor and its subcontractors or suppliers that will deliver technical data with other than unlimited rights, shall—

(1) Have, maintain, and follow written procedures sufficient to assure that restrictive markings are used only when authorized by the terms of this clause; and

(2) Maintain records sufficient to justify the validity of any restrictive markings on technical data delivered under this contract.

(h) Removal of unjustified and nonconforming markings. The rights and obligations of the parties regarding the validation of restrictive markings on technical data furnished or to be furnished under this contract are contained in the Validation of Restrictive Markings on Technical Data clause of this contract. Notwithstanding any provision of this contract concerning inspection and acceptance, the Government may ignore or, at the Contractor's expense, correct or strike a marking if, in accordance with the procedures in the Validation of Restrictive Markings on Technical Data clause of this contract, a restrictive marking is determined to be unjustified.

(2) Nonconforming technical data markings. A nonconforming marking is a marking placed on technical data delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract. Correction of nonconforming markings is not subject to the Validation of Restrictive Markings on Technical Data clause of this contract. If the Contracting Officer notifies the Contractor of a nonconforming marking and the Contractor fails to remove or correct such marking within sixty (60) days, the Government may ignore or, at the Contractor's expense, remove or correct any nonconforming marking.

(i) Relation to patents. Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

(1) Limitation on charges for rights in technical data. (i) The Contractor shall not charge to this contract any cost, including, but not limited to, license fees, royalties, or similar charges, for rights in technical data to be delivered under this contract when—

(1) The Government has acquired, by any means, the same or greater rights in the data; or

(2) The data are available to the public without restrictions.

(2) The limitation in paragraph (i)(1) of this clause—

(1) Includes costs charged by a subcontractor or supplier, at any tier, or costs incurred by the Contractor to acquire rights in subcontractor or supplier technical data, if the subcontractor or supplier has been paid for such rights under any other Government contract or under a license conveying the rights to the Government; and

(iii) Does not include the reasonable costs of reproducing, handling, or mailing the documents or other media in which the technical data will be delivered.

(k) Applicability to subcontractors or suppliers. (1) The Contractor shall ensure that the rights afforded its subcontractors and suppliers under 10 U.S.C. 2320, 10 U.S.C. 2321, and the identification, assertion, and delivery processes of paragraph (e) of this clause are recognized and protected.

(2) Whenever any technical data for noncommercial items, or for commercial items developed in any part at Government expense, is to be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use this same clause in the subcontract or other contractual instrument, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties. This clause will govern the technical data pertaining to noncommercial items or to any portion of a commercial item that was developed exclusively at private expense. No other clause shall be used to enlarge or diminish the Government's, the Contractor's, or a higher-tier subcontractor's or supplier's rights in a subcontractor's or supplier's technical data.

(3) Technical data required to be delivered by a subcontractor or supplier shall normally be delivered to the next higher-tier contractor, subcontractor, or supplier. However, when there is a requirement in the prime contract for data which may be submitted with other than unlimited rights by a subcontractor or supplier, then said subcontractor or supplier may fulfill its requirement by submitting such data directly to the Government, rather than through a higher-tier contractor, subcontractor, or supplier.

(4) The Contractor and higher-tier subcontractors or suppliers shall not use their power to award contracts as economic leverage to obtain rights in technical data from their subcontractors or suppliers.

(5) In no event shall the Contractor use its obligation to recognize and protect subcontractor or supplier rights in technical data as an excuse for failing to satisfy its contractual obligations to the Government.

(End of clause)
Defense Acquisition Regulations System, DOD 252.227–7014

(1) Publication for sale. (1) This paragraph only applies to technical data in which the Government has obtained unlimited rights or a license to make an unrestricted release of technical data.

(2) The Government shall not publish a deliverable technical data item or items identified in this contract as being subject to paragraph (1) of this clause or authorize others to publish such data on its behalf if, prior to publication for sale by the Government and within twenty-four (24) months following the date specified in this contract for delivery of such data or the removal of any national security or export control restrictions, whichever is later, the Contractor publishes that item or items for sale and promptly notifies the Contracting Officer of such publication(s). Any such publication shall include a notice identifying the number of this contract and the Government’s rights in the published data.

(3) This limitation on the Government’s right to publish for sale shall continue as long as the data are reasonably available to the public for purchase.

Alternate II (NOV 2009)

As prescribed in 227.7103–6(b)(2), add the following paragraphs (a)(17) and (b)(7) to the basic clause:

(a)(17) “Vessel design” means the design of a vessel, boat, or craft, and its components, including the hull, decks, superstructure, and the exterior surface shape of all external shipboard equipment and systems. The term includes designs covered by 10 U.S.C. 7317, and designs protectable under 17 U.S.C. 1301, et seq.

(b)(7) Vessel designs. For a vessel design (including a vessel design embodied in a useful article) that is developed or delivered under this contract, the Government shall have the right to make and have made any useful article that embodies the vessel design, to import the article, to sell the article, and to distribute the article for sale or to use the article in trade, to the same extent that the Government is granted rights in the technical data pertaining to the vessel design.


252.227–7014 Rights in noncommercial computer software and noncommercial computer software documentation.

As prescribed in 227.7203–6(a)(1), use the following clause.

RIGHTS IN NONCOMMERCIAL COMPUTER SOFTWARE AND NONCOMMERCIAL COMPUTER SOFTWARE DOCUMENTATION (MAR 2011)

(a) Definitions. As used in this clause—

(1) Commercial computer software means software developed or regularly used for non-governmental purposes which—

(i) Has been sold, leased, or licensed to the public;

(ii) Has been offered for sale, lease, or license to the public;

(iii) Has not been offered, sold, leased, or licensed to the public but will be available for commercial sale, lease, or license in time to satisfy the delivery requirements of this contract; or

(iv) Satisfies a criterion expressed in paragraph (a)(1) (i), (ii), or (iii) of this clause and would require only minor modification to meet the requirements of this contract.

(2) Computer database means a collection of recorded data in a form capable of being processed by a computer. The term does not include computer software.

(3) Computer program means a set of instructions, rules, or routines, recorded in a form that is capable of causing a computer to perform a specific operation or series of operations.

(4) Computer software means computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae, and related material that would enable the software to be reproduced, recreated, or recompiled. Computer software does not include computer databases or computer software documentation.

(5) Computer software documentation means owner’s manuals, user’s manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.

(6) Covered Government support contractor means a contractor under a contract, the primary purpose of which is to furnish independent and impartial advice or technical assistance directly to the Government in support of the Government’s management and oversight of a program or effort (rather than to directly furnish an end item or service to accomplish a program or effort), provided that the contractor—

(i) Is not affiliated with the prime contractor or a first-tier subcontractor on the program or effort, or with any direct competitor of such prime contractor or any such first-tier subcontractor in furnishing end items or services of the type developed or produced on the program or effort; and

(ii) Receives access to technical data or computer software for performance of a Government contract that contains the clause at

(7) Developed means that—

(i) A computer program has been successfully operated in a computer and tested to the extent sufficient to demonstrate to reasonable persons skilled in the art that the program can reasonably be expected to perform its intended purpose;

(ii) Computer software, other than computer programs, has been tested or analyzed to the extent sufficient to demonstrate to reasonable persons skilled in the art that the software can reasonably be expected to perform its intended purpose; or

(iii) Computer software documentation required to be delivered under a contract has been written, in any medium, in sufficient detail to comply with requirements under that contract.

(B) Developed exclusively at private expense means development was accomplished entirely with costs charged to direct cost pools, costs not allocated to a government contract, or any combination thereof.

(i) Private expense determinations should be made at the lowest practicable level.

(ii) Under fixed-price contracts, when total costs are greater than the firm-fixed-price or ceiling price of the contract, the additional development costs necessary to complete development shall not be considered when determining whether development was at government, private, or mixed expense.

(B) Developed exclusively with government funds means development was not accomplished exclusively or partially at private expense.

(B) Developed with mixed funding means development was accomplished partially with costs charged to indirect cost pools and/or costs not allocated to a government contract, and partially with costs charged directly to a government contract.

(i) Government purpose means any activity in which the United States Government is a party, including cooperative agreements with international or multi-national defense organizations or sales or transfers by the United States Government to foreign governments or international organizations. Government purposes include competitive procurement, but do not include the rights to use, modify, reproduce, release, perform, display, or disclose computer software or computer software documentation within the Government without restriction; and

(ii) Release or disclose computer software or computer software documentation outside the Government and authorize persons to whom release or disclosure has been made to use, modify, reproduce, release, perform, display, or disclose the software or documentation for United States government purposes.

(13) Minor modification means a modification that does not significantly alter the nongovernmental function or purpose of the software or is of the type customarily provided in the commercial marketplace.

(14) Noncommercial computer software means software that does not qualify as commercial computer software under paragraph (a)(1) of this clause.

(B) Noncommercial rights apply only to noncommercial computer software and mean the Government’s rights to—

(i) Use a computer program with one computer at one time. The program may not be accessed by more than one terminal or central processing unit or time shared unless otherwise permitted by this contract;

(ii) Transfer a computer program to another Government agency without the further permission of the Contractor if the transferor destroys all copies of the program and related computer software documentation in its possession and notifies the licensor of the transfer. Transferred programs remain subject to the provisions of this clause;

(iii) Make the minimum number of copies of the computer software required for safekeeping (archive), backup, or modification purposes;

(iv) Modify computer software provided that the Government may—

(A) Use the modified software only as provided in paragraphs (a)(15)(i) and (ii) of this clause; and

(B) Not release or disclose the modified software except as provided in paragraphs (a)(15)(ii), (v), (vi), and (vii) of this clause;

(v) Permit contractors or subcontractors performing service contracts (see 37.101 of the Federal Acquisition Regulation) in support of this or a related contract to use computer software to diagnose and correct deficiencies in a computer program, to modify computer software to enable a computer program to be combined with, adapted to, or merged with other computer programs or to respond to urgent tactical situations, provided that—

(A) The Government notifies the party which has granted restricted rights that a release or disclosure to particular contractors or subcontractors was made;

(B) Such contractors or subcontractors are subject to the use and non-disclosure agreement at 227.7103-7 of the Defense Federal Acquisition Regulation Supplement (DFARS) or are Government contractors receiving access to the software for performance of a Government contract that contains the clause at DFARS 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends;
(C) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(15)(iv) of this clause, for any other purpose; and

(D) Such use is subject to the limitation in paragraph (a)(15)(i) of this clause;

(vi) Permit contractors or subcontractors performing emergency repairs or overhaul of items or components of items procured under this or a related contract to use the computer software when necessary to perform the repairs or overhaul, or to modify the computer software to reflect the repairs or overhaul made, provided that—

(A) The intended recipient is subject to the use and non-disclosure agreement at DFARS 227.7103-7 or is a Government contractor receiving access to the software for performance of a Government contract that contains the clause at DFARS 227.227–7023, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends; and

(B) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(15)(i) of this clause, for any other purpose; and

(vii) Permit covered Government support contractors to use, modify, reproduce, perform, display, or release or disclose the computer software to authorized person(s) in the performance of Government contracts that contain the clause at DFARS 227.227–7023, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends.

(16) Unlimited rights means rights to use, modify, reproduce, release, perform, display, or disclose computer software or computer software documentation in whole or in part, in any manner and for any purpose whatsoever, and to have or authorize others to do so.

(b) Rights in computer software or computer software documentation. The Contractor grants or shall obtain for the Government the following royalty free, world-wide, non-exclusive, irrevocable license rights in non-commercial computer software or computer software documentation. All rights not granted to the Government are retained by the Contractor.

(i) Unlimited rights. The Government shall have unlimited rights in—

(1) Computer software developed exclusively with Government funds;

(2) Computer software documentation required to be delivered under this contract;

(ii) Corrections or changes to computer software or computer software documentation furnished to the Contractor by the Government;

(iv) Computer software or computer software documentation that is otherwise publicly available or has been released or disclosed by the Contractor or subcontractor without restriction on further use, release or disclosure, other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the software to another party or the sale or transfer of some or all of a business entity or its assets to another party;

(v) Computer software or computer software documentation obtained with unlimited rights under another Government contract or as a result of negotiations; or

(vi) Computer software or computer software documentation furnished to the Government, under this or any other Government contract or subcontract thereunder with—

(A) Restricted rights in computer software, limited rights in technical data, or government purpose license rights and the restrictive conditions have expired; or

(B) Government purpose rights and the Contractor’s exclusive right to use such software or documentation for commercial purposes has expired.

(2) Government purpose rights. (i) Except as provided in paragraph (b)(1) of this clause, the Government shall have government purpose rights in computer software development with mixed funding.

(ii) Government purpose rights shall remain in effect for a period of five years unless a different period has been negotiated. Upon expiration of the five-year or other negotiated period, the Government shall have unlimited rights in the computer software or computer software documentation. The government purpose rights period shall commence upon execution of the contract, subcontract, letter contract (or similar contractual instrument), contract modification, or option exercise that required development of the computer software.

(iii) The Government shall not release or disclose computer software in which it has government purpose rights to any other person unless—

(A) Prior to release or disclosure, the intended recipient is subject to the use and non-disclosure agreement at DFARS 227.7103-7; or

(B) The recipient is a Government contractor receiving access to the software or documentation for performance of a Government contract that contains the clause at DFARS 227.227–7023, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends.

447
(3) Restricted rights. (i) The Government shall have restricted rights in noncommercial computer software required to be delivered or otherwise provided to the Government under this contract that were developed exclusively at private expense.

(ii) The Contractor, its subcontractors, or suppliers are not required to provide the Government additional rights in noncommercial computer software delivered or otherwise provided to the Government with restricted rights. However, if the Government desires to obtain additional rights in such software, the Contractor agrees to promptly enter into negotiations with the Contracting Officer to determine whether there are acceptable terms for transferring such rights. All noncommercial computer software in which the Contractor has granted the Government additional rights shall be listed or described in a license agreement made part of the contract (see paragraph (b)(4) of this clause). The license shall enumerate the additional rights granted the Government.

(iii) The Contractor acknowledges that—

(A) Restricted rights computer software is authorized to be released or disclosed to covered Government support contractors;

(B) The Contractor will be notified of such release or disclosure;

(C) The Contractor (or the party asserting restrictions, as identified in the restricted rights legend) may require each such covered Government support contractor to enter into a non-disclosure agreement directly with the Contractor (or the party asserting restrictions) regarding the covered Government support contractor’s use of such software, or alternatively, that the Contractor (or party asserting restrictions) may waive in writing the requirement for a non-disclosure agreement.

(D) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor’s use of the restricted rights software as set forth in the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement; and

(E) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request.

(4) Specifically negotiated license rights. (i) The standard license rights granted to the Government under paragraphs (b)(1) through (b)(3) of this clause, including the period during which the Government shall have government purpose rights in computer software, may be modified by mutual agreement to provide such rights as the parties consider appropriate but shall not provide the Government lesser rights in computer software than are enumerated in paragraph (a)(14) of this clause or lesser rights in computer software documentation than are enumerated in paragraph (a)(3) of the Rights in Technical Data—Noncommercial Items clause of this contract.

(ii) Any rights so negotiated shall be identified in a license agreement made part of this contract.

(5) Prior government rights. Computer software or computer software documentation that will be delivered, furnished, or otherwise provided to the Government under this contract, in which the Government has previously obtained rights shall be delivered, furnished, or provided with the pre-existing rights, unless—

(i) The parties have agreed otherwise; or

(ii) Any restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose the data have expired or no longer apply.

(6) Release from liability. The Contractor agrees to release the Government from liability for any release or disclosure of computer software made in accordance with paragraph (a)(14) or (b)(2)(iii) of this clause, in accordance with the terms of a license negotiated under paragraph (b)(4) of this clause, or by others to whom the recipient has released or disclosed the software, and to seek relief solely from the party who has improperly used, modified, reproduced, released, performed, displayed, or disclosed Contractor software marked with restrictive legends.

(c) Rights in derivative computer software or computer software documentation. The Government shall retain its rights in the unchanged portions of any computer software or computer software documentation delivered under this contract that the Contractor uses to prepare, or includes in, derivative computer software or computer software documentation.

(d) Third party copyrighted computer software or computer software documentation. The Contractor shall not, without the written approval of the Contracting Officer, incorporate any copyrighted computer software or computer software documentation into the software or documentation to be delivered under this contract unless the Contractor is the copyright owner or has obtained for the Government the license rights necessary to perfect a license or licenses in the deliverable software or documentation of the appropriate scope set forth in paragraph (b) of this clause, and prior to delivery of such—

(1) Computer software, has provided a statement of the license rights obtained in a form acceptable to the Contracting Officer; or

(2) Computer software documentation, has affixed to the transmittal document a statement of the license rights obtained.
(e) Identification and delivery of computer software and computer software documentation to be furnished with restrictions on use, release, or disclosure. (1) This paragraph does not apply to restrictions based solely on copyright.

(2) Except as provided in paragraph (e)(3) of this clause, computer software that the Contractor asserts should be furnished to the Government with restrictions on use, release, or disclosure is identified in an attachment to this contract (the Attachment). The Contractor shall not deliver any software with restrictive markings unless the software is listed on the Attachment.

(3) In addition to the assertions made in the Attachment, other assertions may be identified after award when based on new information or inadvertent omissions unless the inadvertent omissions would have materially affected the source selection decision. Such identification and assertion shall be submitted to the Contracting Officer as soon as practicable prior to the scheduled delivery of the software, in the following format, and signed by an official authorized to contractually obligate the Contractor: Identification and Assertion of Restrictions on the Government’s Use, Release, or Disclosure of Computer Software.

The Contractor asserts for itself, or the persons identified below, that the Government’s rights to use, release, or disclose the following computer software should be restricted:

<table>
<thead>
<tr>
<th>Computer Software to be Furnished With Restrictions*</th>
<th>Basis for Assertion**</th>
<th>Asserted Rights Category***</th>
<th>Name of Person Asserting Restrictions****</th>
</tr>
</thead>
<tbody>
<tr>
<td>(LIST)</td>
<td>(LIST)</td>
<td>(LIST)</td>
<td>(LIST)</td>
</tr>
</tbody>
</table>

*Generally, development at private expense, either exclusively or partially, is the only basis for asserting restrictions on the Government’s rights to use, release, or disclose computer software.

**Indicate whether development was exclusively or partially at private expense. If development was not at private expense, enter the specific reason for asserting that the Government’s rights should be restricted.

***Enter asserted rights category (e.g., restricted or government purpose rights in computer software, government purpose license rights from a prior contract, rights in SBIR software generated under another contract, or specifically negotiated licenses).

****Corporation, individual, or other person, as appropriate.

Date
Printed Name and Title

(End of identification and assertion)

(4) When requested by the Contracting Officer, the Contractor shall provide sufficient information to enable the Contracting Officer to evaluate the Contractor’s assertions. The Contracting Officer reserves the right to add the Contractor’s assertions to the Attachment and validate any listed assertion, at a later date, in accordance with the procedures of the Validation of Asserted Restrictions—Computer Software clause of this contract.

(f) Marking requirements. The Contractor, and its subcontractors or suppliers, may only assert restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose computer software by marking the deliverable software or documentation subject to restriction. Except as provided in paragraph (f)(2) of this clause, the following legends are authorized under this contract: the government purpose rights legend at paragraph (f)(2) of this clause; the restricted rights legend at paragraph (f)(3) of this clause; or the special license rights legend at paragraph (f)(4) of this clause; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.

(1) General marking instructions. The Contractor, or its subcontractors or suppliers, shall conspicuously and legibly mark the appropriate legend on all computer software that qualify for such markings. The authorized legends shall be placed on the transmitted document or software storage container and each page, or portions thereof, of printed material containing computer software for which restrictions are asserted. Computer software transmitted directly from one computer or computer terminal to another shall contain a notice of asserted restrictions. However, instructions that interfere with or delay the operation of computer software in order to display a restrictive rights legend or other license statement at any time prior to or during use of the computer software, or otherwise cause such interference or delay, shall not be inserted in software that will or might be used in combat or situations that simulate combat conditions, unless the Contracting Officer’s written permission to deliver such software has been obtained prior to delivery. Reproductions of computer software or any portions thereof subject to asserted restrictions, shall also reproduce the asserted restrictions.

(2) Government purpose rights markings. Computer software delivered or otherwise furnished to the Government with government purpose rights shall be marked as follows:

GOVERNMENT PURPOSE RIGHTS

Contract No.
Contractor Name
Contractor Address

Expiration Date
The Government’s rights to use, modify, reproduce, release, perform, display, or disclose this software are restricted by paragraph (b)(2) of the Rights in Noncommercial
Computer Software and Noncommercial Computer Software Documentation clause contained in the above identified contract. No restrictions apply after the expiration date shown above. Any reproduction of the software or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(3) Restricted rights markings. Software delivered or otherwise furnished to the Government with restricted rights shall be marked with the following legend:

**RESTRICTED RIGHTS**

Contract No. ________________________________
Contractor Name ____________________________
Contractor Address __________________________

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose this software are restricted by paragraph (b)(3) of the Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation clause contained in the above identified contract. Any reproduction of computer software or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such software must promptly notify the above named Contractor.

(End of legend)

(4) Special license rights markings. (i) Computer software or computer documentation in which the Government’s rights stem from a specifically negotiated license shall be marked with the following legend:

**SPECIAL LICENSE RIGHTS**

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose this software are restricted by Contract No. ______ (Insert contract number), License No. ______ (Insert license identifier). Any reproduction of computer software, computer software documentation, or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(ii) For purposes of this clause, special licenses do not include government purpose licenses acquired under a prior contract (see paragraph (b)(5) of this clause).

(5) Pre-existing markings. If the terms of a prior contract or license permitted the Contractor to restrict the Government’s rights to use, modify, release, perform, display, or disclose computer software or computer software documentation and those restrictions are still applicable, the Contractor may mark such software or documentation with the appropriate restrictive legend for which the software qualified under the prior contract or license. The marking procedures in paragraph (f)(1) of this clause shall be followed.

(6) Contractor procedures and records. Throughout performance of this contract, the Contractor and its subcontractors or suppliers that will deliver computer software or computer software documentation with other than unlimited rights, shall—

(1) Have, maintain, and follow written procedures sufficient to assure that restrictive markings are used only when authorized by the terms of this clause; and

(2) Maintain records sufficient to justify the validity of any restrictive markings on computer software or computer software documentation delivered under this contract.

(6) Removal of unjustified and nonconforming markings. (1) Unjustified computer software or computer software documentation markings. The rights and obligations of the parties regarding the validation of restrictive markings on computer software or computer software documentation furnished or to be furnished under this contract are contained in the Validation of Asserted Restrictions—Computer Software and the Validation of Restrictive Markings on Technical Data clauses of this contract, respectively. Notwithstanding any provision of this contract concerning inspection and acceptance, the Government may ignore or, at the Contractor’s expense, remove a marking if, in accordance with the procedures of those clauses, a restrictive marking is determined to be unjustified.

(2) Nonconforming computer software or computer software documentation markings. A nonconforming marking is a marking placed on computer software or computer software documentation delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract. Correction of nonconforming markings is not subject to the Validation of Asserted Restrictions—Computer Software or the Validation of Restrictive Markings on Technical Data clause of this contract. If the Contracting Officer notifies the Contractor of a nonconforming marking or markings and the Contractor fails to remove or correct such markings within sixty (60) days, the Government may ignore or, at the Contractor’s expense, remove or correct any nonconforming markings.

(i) Relation to patents. Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.
(l) Limitation on charges for rights in computer software or computer software documentation. (1) The Contractor shall not charge to this contract any cost, including but not limited to license fees, or similar charges, for rights in computer software or computer software documentation to be delivered under this contract when—
   (i) The Government has acquired, by any means, the same or greater rights in the software or documentation; or
   (ii) The software or documentation are available to the public without restrictions.

(2) The limitation in paragraph (l)(1) of this clause—
   (i) Includes costs charged by a subcontractor or supplier, at any tier, or costs incurred by the Contractor to acquire rights in subcontractor or supplier computer software or computer software documentation, if the subcontractor or supplier has been paid for such rights under any other Government contract or under a license conveying the rights to the Government; and
   (ii) Does not include the reasonable costs of reproducing, handling, or mailing the documents or other media in which the software or documentation will be delivered.

(k) Applicability to subcontractors or suppliers. (1) Whenever any noncommercial computer software or computer software documentation is to be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use the same clause in its subcontracts or other contractual instruments, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties. No other clause shall be used to enlarge or diminish the Government’s, the Contractor’s, or a higher tier subcontractor’s or supplier’s rights in a subcontractor’s or supplier’s computer software or computer software documentation.

(2) The Contractor and higher tier subcontractors or suppliers shall not use their power to award contracts as economic leverage to obtain rights in computer software or computer software documentation from their subcontractors or suppliers.

(3) The Contractor shall ensure that subcontractor or supplier rights are recognized and protected in the identification, assertion, and delivery processes required by paragraph (e) of this clause.

(4) In no event shall the Contractor use its obligation to recognize and protect subcontractor or supplier rights in computer software or computer software documentation as an excuse for failing to satisfy its contractual obligation to the Government.

(End of clause)

Alternate I (JUN 1995). As prescribed in 227.7203-6(a)(2), add the following paragraph (l) to the basic clause:

(1) Publication for sale. (1) This paragraph only applies to computer software or computer software documentation in which the Government has obtained unlimited rights or a license to make an unrestricted release of the software or documentation.

(2) The Government shall not publish a deliverable item or items of computer software or computer software documentation identified in this contract as being subject to paragraph (l) of this clause or authorize others to publish such software or documentation on its behalf if, prior to publication for sale by the Government and within twenty-four (24) months following the date specified in this contract for delivery of such software or documentation, or the removal of any national security or export control restrictions, whichever is later, the Contractor publishes that item or items for sale and promptly notifies the Contracting Officer of such publication(s). Any such publication shall include a notice identifying the number of this contract and the Government’s rights in the published software or documentation.

(3) This limitation on the Government’s rights to publish for sale shall continue as long as the software or documentation are reasonably available to the public for purchase.

[60 FR 33493, June 28, 1995, as amended at 76 FR 11368, Mar. 2, 2011]

252.227-7015 Technical data—Commercial items.

As prescribed in 227.7102-3(a)(1), use the following clause:

TECHNICAL DATA—COMMERCIAL ITEMS (SEP 2011)

(a) Definitions. As used in this clause—

(1) Commercial item does not include commercial computer software.

(2) Covered Government support contractor means a contractor under a contract, the primary purpose of which is to furnish independent and impartial advice or technical assistance directly to the Government in support of the Government’s management and oversight of a program or effort (rather than to directly furnish an end item or service to accomplish a program or effort), provided that the contractor—

(i) Is not affiliated with the prime contractor or a first-tier subcontractor on the program or effort, or with any direct competitor of such prime contractor or any such first-tier subcontractor in furnishing end items or services of the type developed or produced on the program or effort; and

(ii) Receives access to technical data or computer software for performance of a Government contract that contains the clause at
252.227–7015  48 CFR Ch. 2 (10–1–11 Edition)


(a) Technical data covered by paragraph (b)(2) of this clause is authorized to be released or disclosed to covered Government support contractors;

(b) The Contractor will be notified of such release or disclosure;

(c) The Contractor (or the party asserting restrictions as identified in a restrictive legend) may require each such covered Government support contractor to enter into a non-disclosure agreement directly with the Contractor (or the party asserting restrictions) regarding the covered Government support contractor’s use of such data, or alternatively, that the Contractor (or party asserting restrictions) may waive in writing the requirement for an non-disclosure agreement;

(d) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor’s use of the data as set forth in the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement; and

(e) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request.

(c) Additional license rights. The Contractor, its subcontractors, and suppliers are not required to provide the Government additional rights to use, modify, reproduce, release, perform, display, or disclose technical data. However, if the Government desires to obtain additional rights in technical data, the Contractor agrees to promptly enter into negotiations with the Contracting Officer to determine whether there are acceptable terms for transferring such rights. All technical data in which the Contractor has granted the Government additional rights shall be listed or described in a special license agreement made part of this contract. The license shall enumerate the additional rights granted the Government in such data.

(d) Release from liability. The Contractor agrees that the Government, and other persons to whom the Government may have released or disclosed technical data delivered or otherwise furnished under this contract, shall have no liability for any release or disclosure of technical data that are not marked to indicate that such data are licensed data subject to use, modification, reproduction, release, performance, display, or disclosure restrictions.

(e) Applicability to subcontractors or suppliers.


(i) Technical data covered by paragraph (b)(2) of this clause is authorized to be released or disclosed to covered Government support contractors;

(ii) The Contractor will be notified of such release or disclosure;

(iii) The Contractor (or the party asserting restrictions as identified in a restrictive legend) may require each such covered Government support contractor to enter into a non-disclosure agreement directly with the Contractor (or the party asserting restrictions) regarding the covered Government support contractor’s use of such data, or alternatively, that the Contractor (or party asserting restrictions) may waive in writing the requirement for an non-disclosure agreement;

(iv) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor’s use of the data as set forth in the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement; and

(v) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request.

(c) Additional license rights. The Contractor, its subcontractors, and suppliers are not required to provide the Government additional rights to use, modify, reproduce, release, perform, display, or disclose technical data. However, if the Government desires to obtain additional rights in technical data, the Contractor agrees to promptly enter into negotiations with the Contracting Officer to determine whether there are acceptable terms for transferring such rights. All technical data in which the Contractor has granted the Government additional rights shall be listed or described in a special license agreement made part of this contract. The license shall enumerate the additional rights granted the Government in such data.

(d) Release from liability. The Contractor agrees that the Government, and other persons to whom the Government may have released or disclosed technical data delivered or otherwise furnished under this contract, shall have no liability for any release or disclosure of technical data that are not marked to indicate that such data are licensed data subject to use, modification, reproduction, release, performance, display, or disclosure restrictions.

(e) Applicability to subcontractors or suppliers.

(2) Whenever any technical data related to commercial items developed in any part at private expense will be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use this same clause in the subcontract or other contractual instrument, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties. This clause will govern the technical data pertaining to any portion of a commercial item that was developed exclusively at private expense, and the clause at 252.227–7013 will govern the technical data pertaining to any portion of a commercial item that was developed in any part at Government expense.

(End of clause)

Alternate I (Mar 2011)

As prescribed in 227.7102–3(a)(2), add the following paragraphs (a)(6) and (b)(4) to the basic clause:

(a)(6) Vessel design means the design of a vessel, boat, or craft, and its components, including the hull, decks, superstructure, and the exterior surface shape of all external shipboard equipment and systems. The term includes designs covered by 10 U.S.C. 7317, and designs protectable under 17 U.S.C. 1301, et seq.

(b)(4) Vessel designs. For a vessel design (including a vessel design embodied in a useful article) that is developed or delivered under this contract, the Government shall have the right to make and have made any useful article that embodies the vessel design, to import the article, to sell the article, and to distribute the article for sale or to use the article in trade, to the same extent that the Government is granted rights in the technical data pertaining to the vessel design.


252.227–7016 Rights in bid or proposal information.

As prescribed in 227.7103–6(e)(1), 227.7104(e)(1), or 227.7203–6(b), use the following clause:

RIGHTS IN BID OR PROPOSAL INFORMATION

(JAN 2011)

(a) Definitions. (1) For contracts that require the delivery of technical data, the terms “technical data” and “computer software” are defined in the Rights in Technical Data—Noncommercial Item clause of this contract or, if this is a contract awarded under the Small Business Innovation Research Program, the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause of this contract.

(2) For contracts that do not require the delivery of technical data, the term “computer software” is defined in the Rights in Noncommercial Computer and Noncommercial Computer Software Documentation clause of this contract or, if this is a contract awarded under the Small Business Innovation Research Program, the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause of this contract.

(b) Government rights to contract award. By submission of its offer, the Offeror agrees that the Government—

(1) May reproduce the bid or proposal, or any portions thereof, to the extent necessary to evaluate the offer.

(2) Except as provided in paragraph (d) of this clause, shall use information contained in the bid or proposal only for evaluational purposes and shall not disclose, directly or indirectly, such information to any person including potential evaluators, unless that person has been authorized by the head of the agency, his or her designee, or the Contracting Officer to receive such information.

(c) Government rights subsequent to contract award. The Contractor agrees—

(1) Except as provided in paragraphs (c)(2), (d), and (e) of this clause, the Government shall have the rights to use, modify, reproduce, release, perform, display, or disclose information contained in the Contractor’s bid or proposal within the Government. The Government shall not release, perform, display, or disclose such information outside the Government without the Contractor’s written permission.

(2) The Government’s right to use, modify, reproduce, release, perform, display, or disclose information that is technical data or computer software required to be delivered under this contract are determined by the Rights in Technical Data—Noncommercial Items, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation, or Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause(s) of this contract.

(d) Government-furnished information. The Government’s rights with respect to technical data or computer software contained in the Contractor’s bid or proposal that were provided to the Contractor by the Government are subject only to restrictions on use, modification, reproduction, release, performance, display, or disclosure, if any, imposed
252.227–7017 Identification and assertion of use, release, or disclosure restrictions.

As prescribed in 227.7103–3(b), 227.7104(e)(2), or 227.7203–3(a), use the following provision:

**Identification and Assertion of Use, Release, or Disclosure Restrictions**

(End of clause)

[60 FR 33498, June 28, 1995, as amended at 76 FR 3538, Jan. 20, 2011]

<table>
<thead>
<tr>
<th>Technical Data or Computer Software to be Furnished With Restrictions*</th>
<th>Basis for Assertion**</th>
<th>Asserted Rights Category***</th>
<th>Name of Person Asserting Restrictions****</th>
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*For technical data (other than computer software documentation) pertaining to items, components, or processes developed at private expense, identify both the deliverable technical data and each such items, component, or process. For computer software or computer software documentation identify the software or documentation.

**Generally, development at private expense, either exclusively or partially, is the only basis for asserting restrictions. For technical data, other than computer software documentation, development refers to development of the item, component, or process to which the data pertain. The Government’s rights in computer software documentation generally may not be restricted. For computer software, development refers to the software. Indicate whether development was accomplished exclusively or partially at private expense. If development was not accomplished at private expense, for computer software documentation, enter the specific basis for asserting restrictions.

***Enter asserted rights category (e.g., government purpose license rights from a prior contract, rights in SBIR data generated under another contract, limited, restricted, or government purpose rights under this or a prior contract, or specially negotiated license).****Corporation, individual, or other person, as appropriate.
Defense Acquisition Regulations System, DOD

252.227–7018

RIGHTS IN NONCOMMERCIAL TECHNICAL DATA

As prescribed in 227.7104(a), use the following clause:

RIGHTS IN NONCOMMERCIAL TECHNICAL DATA AND COMPUTER SOFTWARE—SMALL BUSINESS INNOVATION RESEARCH (SBIR) PROGRAM

As prescribed in 227.7104(a), use the following clause:

RIGHTS IN NONCOMMERCIAL TECHNICAL DATA AND COMPUTER SOFTWARE—SMALL BUSINESS INNOVATION RESEARCH (SBIR) PROGRAM

(a) Definitions. As used in this clause—

(1) Commercial computer software means software developed or regularly used for non-governmental purposes which—

(i) Has been sold, leased, or licensed to the public;

(ii) Has been offered for sale, lease, or license to the public;

(iii) Has not been offered, sold, leased, or licensed to the public but will be available for commercial sale, lease, or license in time to satisfy the delivery requirements of this contract;

(iv) Satisfies a criterion expressed in paragraph (a)(i), (ii), or (iii) of this clause and would require only minor modification to meet the requirements of this contract.

(2) Computer database means a collection of recorded data in a form capable of being processed by a computer. The term does not include computer software.

(3) Computer program means a set of instructions, rules, or routines, recorded in a form that is capable of causing a computer to perform a specific operation or series of operations.

(4) Computer software means computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae, and related material that would enable the software to be reproduced, re-created, or recompiled. Computer software does not include computer databases or computer software documentation.

(5) Computer software documentation means owner’s manuals, user’s manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.

(6) Covered Government support contractor means a contractor under a contract, the primary purpose of which is to furnish independent and impartial advice or technical assistance directly to the Government in support of the Government’s management and oversight of a program or effort (rather than to directly furnish an end item or service to accomplish a program or effort), provided that the contractor—

(i) Is not affiliated with the prime contractor or a first-tier subcontractor on the program or effort, or with any direct competitor of such prime contractor or any such first-tier subcontractor in furnishing end items or services of the type developed or produced on the program or effort; and

(ii) Receives access to the technical data or computer software for performance of a Government contract that contains the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(7) Detailed manufacturing or process data means technical data that describe the steps, sequences, and conditions of manufacturing, processing or assembly used by the manufacturer to produce an item or component or to perform a process.

(8) Developed means—

(i) (Applicable to technical data other than computer software documentation.) An item, component, or process, exists and is workable. Thus, the item or component must have been constructed or the process practiced. Workability is generally established when the item, component, or process has been analyzed or tested sufficiently to demonstrate to reasonable people skilled in the applicable art that there is a high probability that it will operate as intended. Whether, how much, and what type of analysis or testing is required to establish workability depends on the nature of the item, component, or process, and the state of the art. To be considered “developed,” the item,
component, or process need not be at the stage where it could be offered for sale or sold on the commercial market, nor must the item, component, or process be actually reduced in form its intended purpose; or
(i) The reproduction, release, disclosure, or use is—
(A) Necessary for emergency repair and overhaul; or
(B) A release or disclosure to—
(1) A covered Government support contractor, for use, modification, reproduction, performance, display, or release or disclosure to authorized person(s) in performance of a Government contract; or
(2) A foreign government, of technical data (other than detailed manufacturing or process data), when use of such data by the foreign government is in the interest of the Government and is required for evaluational or informational purposes; and
(i) The contractor or subcontractor asserting the restriction is notified of such reproduction, release, disclosure, or use.
(16) Minor modification means a modification that does not significantly alter the nongovernmental function or purpose of computer software or is of the type customarily provided in the commercial marketplace.
(17) Noncommercial computer software means software that does not qualify as commercial computer software under paragraph (a)(1) of this clause.
(18) Restricted rights apply only to noncommercial computer software and mean the Government’s rights to—
(i) Use a computer program with one computer at one time. The program may not be accessed by more than one terminal or central processing unit or time shared unless otherwise permitted by this contract;
(ii) Transfer a computer program to another Government agency without the further permission of the Contractor if the transferor destroys all copies of the program and related computer software documentation in its possession and notifies the licensor of the transfer. Transferred programs remain subject to the provisions of this clause;
Defense Ac quisition Regulations System, DOD 252.227-7018

(iii) Make the minimum number of copies of the computer software required for safekeeping (archive), backup, or modification purposes;
(A) Modify computer software provided that the Government may—
(B) Not release or disclose the modified software except as provided in paragraphs (a)(18)(i), (v), and (vi) of this clause;
(vi) Permit contractors or subcontractors performing service contracts (see 37.101 of the Federal Acquisition Regulation) in support of this or a related contract to use computer software to diagnose and correct deficiencies in a computer program, to modify computer software to enable a computer program to be combined with, adapted to, or merged with other computer programs or when necessary to respond to urgent tactical situations, provided that—
(A) The Government notifies the party which has granted restricted rights that a release or disclosure to particular contractors or subcontractors was made;
(B) Such contractors or subcontractors are subject to the non-disclosure agreement at 227.7103-7 of the Defense Federal Acquisition Regulation Supplement or are Government contractors receiving access to the software for performance of a Government contract that contains the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends;
(C) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(18)(iv) of this clause, for any other purpose; and
(D) Such use is subject to the limitation in paragraph (a)(18)(i) of this clause;
(vi) Permit contractors or subcontractors performing emergency repairs or overhaul of items or components of items procured under this or a related contract to use the computer software when necessary to perform the repairs or overhaul, or to modify the computer software to reflect the repairs or overhaul made, provided that—
(A) The intended recipient is subject to the non-disclosure agreement at 227.7103-7 or is a Government contractor receiving access to the software for performance of a Government contract that contains the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends; and
(B) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(18)(iv) of this clause, for any other purpose; and
(vii) Permit covered Government support contractors to use, modify, reproduce, perform, display, or disclose the computer software to authorized person(s) in the performance of Government contracts that contain the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(b) Rights in technical data and computer software. The Contractor grants or shall obtain for the Government the following royalty-free, world-wide, nonexclusive, irrevocable license rights in technical data or noncommercial computer software. All rights not granted to the Government are retained by the Contractor.

(1) Unlimited rights. The Government shall have unlimited rights in technical data, including computer software documentation, or computer software generated under this contract that are—
(i) Form, fit, and function data;
(ii) Necessary for installation, operation, maintenance, or training purposes (other than detailed manufacturing or process data);
(iii) Corrections or changes to Government-furnished technical data or computer software;
(iv) Otherwise publicly available or have been released or disclosed by the Contractor or a subcontractor without restrictions on further use, release or disclosure other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the technical data or computer software to another party or the sale or transfer of some or all of a business entity or its assets to another party;
(v) Data or software in which the Government has acquired previously unlimited rights under another Government contract or through a specific license; and
SBIR data upon expiration of the SBIR data rights period.

(2) **Limited rights.** The Government shall have limited rights in technical data, that were not generated under this contract, pertaining to computer software documentation, than are enumerated in paragraph (a)(14) of this clause, or lesser rights in computer software than are enumerated in paragraph (a)(17) of this clause, with the legend prescribed in paragraph (f)(1) of this clause.

(3) **Restricted rights in computer software.** The Government shall have restricted rights in noncommercial computer software required to be delivered or otherwise furnished to the Government under this contract that were developed exclusively at private expense and were not generated under this contract.

(4) **SBIR data rights.** (i) Except for technical data, including computer software documentation, or computer software in which the Government has unlimited rights under paragraph (b)(1) of this clause, the Government shall have SBIR data rights in all technical data or computer software generated under this contract during the period commencing with contract award and ending upon the date five years after completion of the project from which such data were generated.

(ii) The Government may not release or disclose SBIR data to any person, other than its support services contractors, except—

(A) As expressly permitted by the Contractor;

(B) For evaluation purposes; or

(C) A release, disclosure, or use that is necessary for emergency repair or overhaul of items operated by the Government.

(iii) A release or disclosure of SBIR data to the Government’s support services contractors, or a release or disclosure under paragraph (b)(4)(ii)(B) or (C) of this clause, may be made only if, prior to release or disclosure, the intended recipient is subject to the use and non-disclosure agreement at DFARS 252.227–7025, Limitations on the Use of Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(iv) **Specifically negotiated license rights.** The standard license rights granted to the Government under paragraphs (b)(1) through (b)(4) of this clause may be modified by mutual agreement to provide such rights as the parties consider appropriate but shall not provide the Government lesser rights in technical data, including computer software documentation, than are enumerated in paragraph (a)(14) of this clause or lesser rights in computer software than are enumerated in paragraph (a)(17) of this clause. Any rights so negotiated shall be identified in a license agreement made part of this contract.

(6) **Prior government rights.** Technical data, including computer software documentation, or computer software that will be delivered, furnished, or otherwise provided to the Government under this contract, in which the Government has previously obtained rights shall be delivered, furnished, or provided with the pre-existing rights, unless—

(i) The parties have agreed otherwise; or

(ii) Any restrictions on the Government’s rights to use, modify, release, perform, display, or disclose the technical data or computer software have expired or no longer apply.

(7) **Release from liability.** The Contractor agrees to release the Government from liability for any release or disclosure of technical data, computer software, or computer software documentation made in accordance with paragraph (a)(14), (a)(17), or (b)(4) of this clause, or in accordance with the terms of a license negotiated under paragraph (b)(5) of this clause, or by others to whom the recipient has released or disclosed the data, software, or documentation and to seek relief solely from the party who has improperly used, modified, reproduced, released, performed, displayed, or disclosed Contractor data or software marked with restrictive legends.

(8) **Covered Government support contractors.** The Contractor acknowledges that—

(i) Limited rights technical data and restricted rights computer software are authorized to be released or disclosed to covered Government support contractors;

(ii) The Contractor will be notified of such release or disclosure;

(iii) The Contractor may require each such covered Government support contractor to enter into a non-disclosure agreement with the Government directly with the Contractor (or the party asserting restrictions as identified in a restrictive legend) regarding the covered Government support contractor’s use of such data, software, or otherwise that the Contractor (or the party asserting restrictions) may waive in writing the requirement for a non-disclosure agreement;

(iv) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor’s use of the data or software as set forth in the clause at 252.227–7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement; and

(v) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request.

(c) **Rights in derivative computer software or computer software documentation.** The Government shall retain its rights in the unchanged
Identification and Assertion of Restrictions

The Contractor shall, by an official authorized to contractually obligate the Contractor:

(1) Technical data, has affixed to the transmittal document a statement of the license rights obtained; or

(2) Computer software, has provided a statement of the license rights obtained in a form acceptable to the Contracting Officer.

(e) Identification and delivery of technical data or computer software to be furnished with restrictions on use, release, or disclosure. 

(1) This paragraph does not apply to technical data or computer software that were or will be generated under this contract or to restrictions based solely on copyright.

(2) Except as provided in paragraph (e)(3) of this clause, technical data or computer software that the Contractor asserts should be furnished to the Government with restrictions on use, release, or disclosure is identified in an attachment to this contract (the Attachment). The Contractor shall not deliver any technical data or computer software with restrictive markings unless the technical data or computer software are listed on the Attachment.

(3) In addition to the assertions made in the Attachment, other assertions may be identified after award when based on new information or inadvertent omissions unless the inadvertent omissions would have materially affected the source selection decision. Such identification and assertion shall be submitted to the Contracting Officer as soon as practicable prior to the scheduled date for delivery of the technical data or computer software, in the following format, and signed by an official authorized to contractually obligate the Contractor:

Identification and Assertion of Restrictions on the Government’s Use, Release, or Disclosure of Technical Data or Computer Software

The Contractor asserts for itself, or the persons identified below, that the Government’s rights to use, release, or disclose the following technical data or computer software should be restricted:

Technical data or computer software to be furnished with restrictions

<table>
<thead>
<tr>
<th>Basis for assertion</th>
<th>Asserted rights category</th>
<th>Name of person asserting restrictions</th>
</tr>
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<tbody>
<tr>
<td>(LIST)</td>
<td>(LIST)</td>
<td>(LIST)</td>
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</tbody>
</table>

1 If the assertion is applicable to items, components, or processes developed at private expense, identify both the technical data and each such item, component, or process.

2 Generally, development at private expense, either exclusively or partially, is the only basis for asserting restrictions on the Government’s rights to use, release, or disclose technical data or computer software. Indicate whether development was exclusively or partially at private expense. If development was at private expense, enter the specific reason for asserting that the Government’s rights should be restricted.

3 Enter asserted rights category (e.g., limited rights, restricted rights, government purpose rights, or government purpose license rights from a prior contract, SBIR data rights under another contract, or specifically negotiated licenses).

4 Corporation, individual, or other person, as appropriate.

Date
Printed Name and Title
Signature

(End of identification and assertion)

(4) When requested by the Contracting Officer, the Contractor shall provide sufficient information to enable the Contracting Officer to evaluate the Contractor’s assertions. The Contracting Officer reserves the right to add the Contractor’s assertions to the Attachment and validate any listed assertions, at a later date, in accordance with the procedures of the Validation of Asserted Restrictions—Computer Software and/or Validation of Restrictive Markings on Technical Data clauses of this contract.

(f) Marking requirements. The Contractor, and its subcontractors or suppliers, may only assert restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software to be delivered under this contract by marking the deliverable data or software subject to restriction. Except as provided in paragraph (f)(6) of this clause, only the following markings are authorized under this contract: the limited rights legend at paragraph (f)(3) of this clause; the SBIR data rights legend at paragraph (f)(4) of this clause, or the special license rights legend at paragraphs (f)(5) of this clause; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.

(1) General marking instructions. The Contractor, or its subcontractors or suppliers, shall conspicuously and legibly mark the appropriate legend to all technical data and computer software that qualify for such markings. The authorized legends shall be placed on the transmittal document or storage container and, for printed material, each page of the printed material containing technical data or computer software for which restrictions are asserted. When only portions of a page of printed material are subject to
the asserted restrictions, such portions shall be identified by circling, underscoring, with a note, or other appropriate identifier. Technical data or computer software transmitted directly from one computer or computer terminal to another shall contain a notice of asserted restrictions. However, instructions that interfere with or delay the operation of computer software in order to display a restrictive rights legend or other license statement at any time prior to or during use of the computer software, or otherwise cause such interference or delay, shall not be inserted in software that will or might be used in combat or situations that simulate combat conditions, unless the Contracting Officer’s written permission to deliver such software has been obtained prior to delivery. Reproductions of technical data, computer software, or any portions thereof subject to asserted restrictions shall also reproduce the asserted restrictions.

(2) Limited rights markings. Technical data not generated under this contract that pertain to items, components, or processes developed exclusively at private expense and delivered or otherwise furnished with limited rights shall be marked with the following legend:

Limited Rights

| Contract No. |
| Contractor Name |
| Contractor Address |

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose these technical data are restricted by paragraph (b)(2) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such data must promptly notify the above named Contractor.

(End of legend)

(3) Restricted rights markings. Computer software delivered or otherwise furnished to the Government with restricted rights shall be marked with the following legend:

Restricted Rights

| Contract No. |
| Contractor Name |
| Contractor Address |

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose this software are restricted by paragraph (b)(3) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. Any reproduction of computer software or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such software or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(4) SBIR data rights markings: Except for technical data or computer software in which the Government has acquired unlimited rights under paragraph (b)(1) of this clause, or negotiated special license rights as provided in paragraph (b)(5) of this clause, technical data or computer software generated under this contract shall be marked with the following legend. The Contractor shall enter the expiration date for the SBIR data rights period on the legend:

SBIR Data Rights

| Contract No. |
| Contractor Name |
| Address |

Expiration of SBIR Data Rights Period __________

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend are restricted during the period shown as provided in paragraph (b)(4) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. No restrictions apply after the expiration date shown above. Any reproduction of technical data, computer software, or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(5) Special license rights markings. (1) Technical data or computer software in which the Government’s rights stem from a specifically negotiated license shall be marked with the following legend:

Special License Rights

| Contract No. |
| License No. |

The Government’s rights to use, modify, reproduce, release, perform, display, or disclose this technical data or computer software are restricted by Contract No. __________. License No. __________. (Insert license identifier) Any reproduction of technical data, computer software, or portions thereof marked...
with this legend must also reproduce the markings.

(End of legend)

(ii) For purposes of this clause, special licenses do not include government purpose licenses rights acquired under a prior contract (see paragraph (b)(6) of this clause).

(b) Pre-existing data markings. If the terms of a prior contract or license permitted the Contractor to restrict the Government’s rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software, and those restrictions are still applicable, the Contractor may mark such data or software with the appropriate restrictive legend for which the data or software qualified under the prior contract or license. The marking procedures in paragraph (f)(1) of this clause shall be followed.

(g) Contractor procedures and records. Throughout performance of this contract, the Contractor, and its subcontractors or suppliers that will deliver technical data or computer software with other than unlimited rights, shall—

(1) Have, maintain, and follow written procedures sufficient to assure that restrictive markings are used only when authorized by the terms of this clause; and

(2) Maintain records sufficient to justify the validity of any restrictive markings on technical data or computer software delivered under this contract.

(h) Removal of unjustified and nonconforming markings. (1) Unjustified markings. The rights and obligations of the parties regarding the validation of restrictive markings on technical data or computer software furnished or to be furnished under this contract are contained in the Validation of Restrictive Markings on Technical Data and the Validation of Asserted Restrictions—Computer Software clauses of this contract, respectively. Notwithstanding any provision of this contract concerning inspection and acceptance, the Government may ignore or, at the Contractor’s expense, correct or strike a marking if, in accordance with the applicable procedures of those clauses, a restrictive marking is determined to be unjustified.

(2) Nonconforming markings. A nonconforming marking is a marking placed on technical data or computer software delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract. Correction of nonconforming markings is not subject to the Validation of Restrictive Markings on Technical Data or the Validation of Asserted Restrictions—Computer Software clause of this contract. If the Contracting Officer notifies the Contractor of a nonconforming marking or markings and the Contractor fails to remove or correct such markings within sixty (60) days, the Government may ignore or, at the Contractor’s expense, remove or correct any nonconforming markings.

(i) Relation to patents. Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

(j) Limitation on charges for rights in technical data or computer software. (1) The Contractor shall not charge to this contract any cost, including but not limited to, license fees, royalties, or similar charges, for rights in technical data or computer software to be delivered under this contract when—

(i) The Government has acquired, by any means, the same or greater rights in the data or software; or

(ii) The data are available to the public without restrictions.

(2) The limitation in paragraph (j)(1) of this clause—

(i) Includes costs charged by a subcontractor or supplier, at any tier, or costs incurred by the Contractor to acquire rights in subcontractor of supplier technical data or computer software, if the subcontractor or supplier has been paid for such rights under any other Government contract or under a license conveying the rights to the Government; and

(ii) Does not include the reasonable costs of reproducing, handling, or mailing the documents or other media in which the technical data or computer software will be delivered.

(k) Applicability to subcontractors or suppliers. (1) The Contractor shall assure that the rights afforded its subcontractors and suppliers under 10 U.S.C. 2320, 10 U.S.C. 2321, and the identification, assertion, and delivery processes required by paragraph (e) of this clause are recognized and protected.

(2) Whenever any noncommercial technical data or computer software is to be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use this same clause in the subcontract or other contractual instrument, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties. The Contractor shall use the Technical Data—Commercial Items clause of this contract to obtain technical data pertaining to commercial items, components, or processes. No other clause shall be used to enlarge or diminish the Government’s, the Contractor’s, or a higher tier subcontractor’s or supplier’s rights in a subcontractor’s or supplier’s technical data or computer software.

(3) Technical data required to be delivered by a subcontractor or supplier shall normally be delivered to the next higher tier...
VALIDATION OF ASSERTED RESTRICTIONS—COMPUTER SOFTWARE (SEP 2011)

(a) Definitions. (1) As used in this clause, unless otherwise specifically indicated, the term “Contractor” means the Contractor and its subcontractors or suppliers.

(b) Justification. The Contractor shall maintain records sufficient to justify the validity of any markings that assert restrictions on the Government’s rights to use, modify, reproduce, perform, display, release, or disclose computer software delivered or required to be delivered under this contract and shall be prepared to furnish to the Contracting Officer a written justification for such restrictive markings in response to a request for information under paragraph (d) or a challenge under paragraph (f) of this clause.

(c) Direct contact with subcontractors or suppliers. The Contractor agrees that the Contracting Officer may transact matters under this clause directly with subcontractors or suppliers at any tier who assert restrictions on the Government’s rights to use, modify, reproduce, release, perform, display, or disclose computer software, neither this clause, nor any action taken by the Government under this clause, creates or implies privity of contract between the Government and the Contractor’s subcontractors or suppliers.

(d) Requests for information. (1) The Contracting Officer may request the Contractor to provide sufficient information to enable the Contracting Officer to evaluate the Contractor’s asserted restrictions. Such information shall be based upon the records required by this clause or other information reasonably available to the Contractor.

(2) Based upon the information provided, if the—

(A) Contractor agrees that an asserted restriction is not valid, the Contracting Officer may—

(i) Strike or correct the unjustified marking at the Contractor’s expense; or

(ii) Return the computer software to the Contractor for correction at the Contractor’s expense. If the Contractor fails to correct or strike the unjustified restrictions and return the corrected software to the Contracting Officer within sixty (60) days following receipt of the software, the Contracting Officer may correct the strike the markings at the Contractor’s expense.

(B) The Contractor’s failure to provide a timely response to a Contracting Officer’s
Defense Acquisition Regulations System, DOD 252.227-7019

request for information or failure to provide sufficient information to enable the Contracting Officer to evaluate an asserted restriction shall constitute reasonable grounds for questioning the validity of an asserted restriction.

(e) Government right to challenge and validate asserted restrictions. (1) The Government, when there are reasonable grounds to do so, has the right to review and challenge the validity of any restrictions asserted by the Contractor on the Government's rights to use, modify, reproduce, release, perform, display, or disclose computer software delivered, to be delivered under this contract, or otherwise provided to the Government in the performance of this contract. Except for software that is publicly available, has been furnished to the Government without restrictions, or has been otherwise made available without restrictions, the Government may exercise this right only within three years after the date(s) the software is delivered or otherwise furnished to the Government, or three years following final payment under this contract, whichever is later.

(2) The absence of a challenge to an asserted restriction shall not constitute validation under this clause. Only a Contracting Officer's final decision or actions of an agency Board of Contract Appeals or a court of competent jurisdiction that sustain the validity of an asserted restriction constitute validation of the restriction.

(f) Major systems. When the Contracting Officer challenges an asserted restriction regarding noncommercial computer software for a major system or a subsystem or component thereof on the basis that the computer software was not developed exclusively at private expense, the Contracting Officer will sustain the challenge unless information provided by the Contractor or subcontractor demonstrates that the computer software was developed exclusively at private expense.

(g) Challenge procedures. (1) A challenge must be in writing and shall—

(i) State the specific grounds for challenging the asserted restriction;

(ii) Require the Contractor to respond within sixty (60) days;

(iii) Require the Contractor to provide justification for the assertion based upon records kept in accordance with paragraph (b) of this clause and such other documentation that are reasonably available to the Contractor, in sufficient detail to enable the Contracting Officer to determine the validity of the asserted restrictions; and

(iv) State that a Contracting Officer's final decision, during the three-year period preceding this challenge, or action of a court of competent jurisdiction or Board of Contract Appeals that sustained the validity of an identical assertion made by the Contractor (or a licensee) shall serve as justification for the asserted restriction.

(2) The Contracting Officer shall extend the time for response if the Contractor submits a written request showing the need for additional time to prepare a response.

(3) The Contracting Officer may request additional supporting documentation if, in the Contracting Officer's opinion, the Contractor's explanation does not provide sufficient evidence to justify the validity of the asserted restrictions. The Contractor agrees to promptly respond to the Contracting Officer's request for additional supporting documentation.

(4) Notwithstanding challenge by the Contracting Officer, the parties may agree on the disposition of an asserted restriction at any time prior to a Contracting Officer's final decision or, if the Contractor has appealed that decision, filed suit, or provided notice of an intent to file suit, at any time prior to a decision by a court of competent jurisdiction or Board of Contract Appeals.

(5) If the Contractor fails to respond to the Contracting Officer's request for information or additional information under paragraph (g)(1) of this clause, the Contracting Officer will issue a final decision, in accordance with paragraph (i) of this clause and the Disputes clause of this contract, pertaining to the validity of the asserted restriction.

(6) If the Contracting Officer, after reviewing the written explanation furnished pursuant to paragraph (i)(1) of this clause, or any other available information pertaining to the validity of an asserted restriction, determines that the asserted restriction has—

(i) Not been justified, the Contracting Officer shall issue promptly a final decision, in accordance with the Disputes clause of this contract, denying the validity of the asserted restriction; or

(ii) Been justified, the Contracting Officer shall issue promptly a final decision, in accordance with the Disputes clause of this contract, validating the asserted restriction.

(7) A Contractor receiving challenges to the same asserted restriction(s) from more than one Contracting Officer shall notify each Contracting Officer of the other challenges. The notice shall also state which Contracting Officer initiated the first in time unanswered challenge. The Contracting Officer who initiated the first in time unanswered challenge, after consultation with the other Contracting Officers who have challenged the restrictions and the Contractor, shall formulate and distribute a schedule that provides the contractor a reasonable opportunity for responding to each challenge.

(h) Contractor appeal—Government obligation. (1) The Government agrees that, notwithstanding a Contracting Officer’s final decision denying the validity of an asserted
252.227–7020 Rights in special works.

As prescribed in 227.7105–3, 227.7106(a) or 227.7205(a), use the following clause:

RIGHTS IN SPECIAL WORKS (JUN 1995)

(a) Applicability. This clause applies to works first created, generated, or produced and required to be delivered under this contract.

(b) Definitions. As used in this clause:

(1) “Computer data base” means a collection of data recorded in a form capable of being processed by a computer. The term does not include computer software.

(2) “Computer program” means a set of instructions, rules, or routines recorded in a form that is capable of causing a computer
to perform a specific operation or series of operations.

(3) “Computer software” means computer programs, source code, source code listings, object code, object code listings, design details, algorithms, processes, flow charts, formulae and related material that would enable the software to be reproduced, recreated, or recompiled. Computer software shall not include computer data bases or computer software documentation.

(4) “Computer software documentation” means owner’s manuals, user’s manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.

(5) “Unlimited rights” means the rights to use, modify, reproduce, perform, display, reproduce, or disclose a work in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

(6) The term “works” includes computer data bases, computer software, or computer software documentation; literary, musical, dramatic, choreographic, or dramatic compositions; pantomimes; pictorial, graphic, or sculptural compositions; motion pictures and other audiovisual works; sound recordings in any medium; or, items of similar nature.

(c) License rights. (1) The Government shall have unlimited rights in works first produced, created, or generated and required to be delivered under this contract.

(2) When a work is first produced, created, or generated under this contract, and such work is required to be delivered under this contract, the Contractor shall assign copyright in those works to the Government. The Contractor, unless directed to the contrary by the Contracting Officer, shall place the following notice on such works: “© [Year date of delivery] United States Government, as represented by the Secretary of [department]. All rights reserved.”

For phonorecords, the “©” markings shall be replaced by a “P”.

The Contractor grants to the Government a royalty-free, world-wide, nonexclusive, irrevocable license to reproduce, prepare derivative works from, distribute, perform, or display, and to have or authorize others to do so, the Contractor’s copyrighted works not first produced, created, or generated under this contract that have been incorporated into the works deliverable under this contract.

(d) Third party copyrighted data. The Contractor shall not incorporate, without the written approval of the Contracting Officer, any copyrighted works in the works to be delivered under this contract unless the Contractor is the copyright owner or has obtained for the Government the license rights necessary to perfect a license of the scope identified in paragraph (c)(3) of this clause and, prior to delivery of such works—

(1) Has affixed to the transmittal document a statement of the license rights obtained; or

(2) For computer software, has provided a statement of the license rights obtained in a form acceptable to the Contracting Officer.

(e) Indemnification. The Contractor shall indemnify and save and hold harmless the Government, and its officers, agents and employees acting for the Government, against any liability, including costs and expenses, (1) for violation of proprietary rights, copyrights, or rights of privacy or publicity, arising out of the creation, delivery, use, modification, reproduction, release, performance, display, or disclosure of any works furnished under this contract, or (2) based upon any libelous or other unlawful matter contained in such works.

(f) Government-furnished information. Paragraphs (d) and (e) of this clause are not applicable to information furnished to the Contractor by the Government and incorporated in the works delivered under this contract.

(End of clause)

[60 FR 33504, June 28, 1995]

252.227-7021 Rights in data—existing works.

As prescribed at 227.7105–2(a), use the following clause:

Rights in Data—Existing Works (MAR 1979)

(a) The term works as used herein includes literary, musical, and dramatic works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and works of a similar nature. The term does not include financial reports, cost analyses, and other information incidental to contract administration.

(b) Except as otherwise provided in this contract, the Contractor hereby grants to the Government a nonexclusive, paid-up license throughout the world (1) to distribute, perform publicly, and display publicly the works called for under this contract and (2) to authorize others to do so for Government purposes.

(c) The Contractor shall indemnify and save and hold harmless the Government, and its officers, agents, and employees acting for the Government, against any liability, including costs and expenses, (1) for violation of proprietary rights, copyrights, or rights of privacy or publicity arising out of the creation, delivery, use, of any works furnished under this contract, or (2) based upon any libelous or other unlawful matter contained in same works.

As prescribed at 227.7107–1(a), use the following clause:

GOVERNMENT RIGHTS (UNLIMITED) (MAR 1979)

The Government shall have unlimited rights, in all drawings, designs, specifications, notes and other works developed in the performance of this contract, including the right to use same on any other Government design or construction without additional compensation to the Contractor. The Contractor hereby grants to the Government a paid-up license throughout the world to all such works to which he may assert or establish any claim under design patent or copyright laws. The Contractor for a period of three (3) years after completion of the project agrees to furnish the original or copies of all such works on the request of the Contracting Officer.

(End of clause)

252.227–7023 Drawings and other data to become property of Government.

As prescribed at 227.7107–1(b), use the following clause:

DRAWINGS AND OTHER DATA TO BECOME PROPERTY OF GOVERNMENT (MAR 1979)

All designs, drawings, specifications, notes and other works developed in the performance of this contract shall become the sole property of the Government and may be used on any other design or construction without additional compensation to the Contractor. The Government shall be considered the “person for whom the work was prepared” for the purpose of authorship in any copyrightable work under 17 U.S.C. 201(b). With respect thereto, the Contractor agrees not to assert or authorize others to assert any rights nor establish any claim under the design patent or copyright laws. The Contractor for a period of three (3) years after completion of the project agrees to furnish all retained works on the request of the Contracting Officer. Unless otherwise provided in this contract, the Contractor shall have the right to retain copies of all works beyond such period.

(End of clause)

For Small Business Innovation Research program contracts, the terms “covered Government support contractor,” “limited rights,” and “restricted rights” are defined in the clause at 252.227–7018, Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program.

(b) Technical data or computer software provided to the Contractor as Government-furnished information (GFI) under this contract may be subject to restrictions on use, modification, reproduction, release, performance, display, or further disclosure.

(1) GFI marked with limited or restricted rights legends.

(i) The Contractor shall use, modify, reproduce, perform, or display technical data received from the Government with limited rights legends or computer software received with restricted rights legends only in the performance of this contract. The Contractor shall not, without the express written permission of the party whose name appears in the legend, release or disclose such data or software to any unauthorized person.

(ii) If the Contractor is a covered Government support contractor, the Contractor further agrees and acknowledges that—

(A) The data or software will be accessed and used only for the purposes stated in this contract and shall not be used to compete for any Government or non-Government contract;

(B) The Contractor will take all reasonable steps to protect the technical data or computer software against any unauthorized release or disclosure;

(C) The Contractor will ensure that the party whose name appears in the legend is notified of the Contractor’s access or use of such data or software;

(D) The Contractor will enter into a non-disclosure agreement with the party whose name appears in the legend, if required to do so by that party, and that any such non-disclosure agreement will implement the restrictions on the Contractor’s use of such data or software as set forth in this clause, and shall not include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement;

(E) The Contractor shall provide a copy of any such non-disclosure agreement or waiver to the Contracting Officer, upon request; and

(F) That a breach of these obligations or restrictions may subject the Contractor to—

(i) Criminal, civil, administrative, and contractual actions in law and equity for penalties, damages, and other appropriate remedies by the United States; and

(ii) Civil actions for damages and other appropriate remedies by the party whose name appears in the legend.

(2) GFI marked with government purpose rights legends. The Contractor shall use technical data or computer software received from the Government with government purpose rights legends for government purposes only. The Contractor shall not, without the express written permission of the party whose name appears in the restrictive legend, use, modify, reproduce, release, perform, or display such data or software for any commercial purpose or disclose such data or software to a person other than its subcontractors, suppliers, or prospective subcontractors or suppliers, who require the data or software to submit offers for, or perform, contracts under this contract. Prior to disclosing the data or software, the Contractor shall require the persons to whom disclosure will be made to complete and sign the non-disclosure agreement at 227.7103–7.

(3) GFI marked with specially negotiated license rights legends. The Contractor shall use, modify, reproduce, release, perform, or display technical data or computer software received from the Government with specially negotiated license legends only as permitted in the license. Such data or software may not be released or disclosed to other persons unless permitted by the license and, prior to release or disclosure, the intended recipient has completed the non-disclosure agreement at 227.7103–7. The Contractor shall modify paragraph (1)(c) of the non-disclosure agreement to reflect the recipient’s obligations regarding use, modification, reproduction, release, performance, display, and disclosure of the data or software.

(4) GFI marked with commercial restrictive legends.

(i) The Contractor shall use, modify, reproduce, perform, or display technical data that is or pertains to a commercial item and is received from the Government with a commercial restrictive legend (i.e., marked to indicate that such data are subject to use, modification, reproduction, release, performance, display, or disclosure restrictions) only in the performance of this contract. The Contractor shall not, without the express written permission of the party whose name appears in the legend, use the technical data to manufacture additional quantities of the commercial items, or release or disclose such data to any unauthorized person.

(ii) If the Contractor is a covered Government support contractor, the Contractor further agrees and acknowledges that—

(A) The data or software will be accessed and used only for the purposes stated in this contract and shall not be used to compete for any Government or non-Government contract;
48 CFR Ch. 2 (10–1–11 Edition)

**252.227–7026** Deferred delivery of technical data or computer software.

As prescribed at 227.7103–8(a), use the following clause:

**DEFERRED DELIVERY OF TECHNICAL DATA OR COMPUTER SOFTWARE (APR 1988)**

The Government shall have the right to require, at any time during the performance of this contract, within two (2) years after either acceptance of all items (other than data or computer software) to be delivered under this contract or termination of this contract, whichever is later, delivery of any technical data or computer software item identified in this contract as “deferred delivery” data or computer software. The obligation to furnish such technical data required to be prepared by a subcontractor and pertaining to an item obtained from him shall expire two (2) years after the date Contractor accepts the last delivery of that item from that subcontractor for use in performing this contract.

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 60 FR 33505, June 28, 1995]

**252.227–7027** Deferred ordering of technical data or computer software.

As prescribed at 227.7103–8(b), use the following clause:

**DEFERRED ORDERING OF TECHNICAL DATA OR COMPUTER SOFTWARE (APR 1988)**

In addition to technical data or computer software specified elsewhere in this contract to be delivered hereunder, the Government may, at any time during the performance of this contract or within a period of three (3) years after acceptance of all items (other than technical data or computer software) to be delivered under this contract or the termination of this contract, order any technical data or computer software generated in the performance of this contract or any subcontract hereunder. When the technical data or computer software is ordered, the Contractor shall be compensated for converting the data or computer software into the prescribed form, for reproduction and delivery. The obligation to deliver the technical data of a subcontractor and pertaining to an item obtained from him shall expire three (3) years after the date the Contractor accepts the last delivery of that item from that subcontractor under this contract. The Government’s rights to use said data or computer software shall be pursuant to the “Rights in
Technical Data and Computer Software" clause of this contract.

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 60 FR 33505, June 28, 1995]

252.227–7028 Technical data or computer software previously delivered to the government.

As prescribed in 227.7103–6(d), 227.7104(f)(2), or 227.7203–6(e), use the following provision:

TECHNICAL DATA OR COMPUTER SOFTWARE PREVIOUSLY DELIVERED TO THE GOVERNMENT (JUN 1995)

The Offeror shall attach to its offer an identification of all documents or other media incorporating technical data or computer software it intends to deliver under this contract with other than unlimited rights that are identical or substantially similar to documents or other media that the Offeror has produced for, delivered to, or is obligated to deliver to the Government under any contract or subcontract. The attachment shall identify—

(a) The contract number under which the data or software were produced;
(b) The contract number under which, and the name and address of the organization to whom, the data or software were most recently delivered or will be delivered; and
(c) Any limitations on the Government’s rights to use or disclose the data or software, including, when applicable, identification of the earliest date the limitations expire.

(End of provision)

[60 FR 33505, June 28, 1995]

252.227–7029 [Reserved]


As prescribed at 227.7103–6(e)(2) or 227.7104(e)(4), the following clause:

TECHNICAL DATA—WITHHOLDING OF PAYMENT (MAR 2000)

(a) If technical data specified to be delivered under this contract, is not delivered within the time specified by this contract or is deficient upon delivery (including having restrictive markings not identified in the list described in the clause at 252.227–7013(e)(2) or 227.227–7018(e)(2) of this contract), the Contracting Officer may until such data is accepted by the Government, withhold payment to the Contractor of ten percent (10%) of the total contract price or amount unless a lesser withholding is specified in the contract. Payments shall not be withheld nor any other action taken pursuant to this paragraph when the Contractor’s failure to make timely delivery or to deliver such data without deficiencies arises out of causes beyond the control and without the fault or negligence of the Contractor.

(b) The withholding of any amount or subsequent payment to the Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract.

(End of clause)


252.227–7031 [Reserved]

252.227–7032 Rights in technical data and computer software (foreign).

As prescribed in 227.7103–17, use the following clause:

RIGHTS IN TECHNICAL DATA AND COMPUTER SOFTWARE (FOREIGN) (JUN 1975)

The United States Government may duplicate, use, and disclose in any manner for any purposes whatsoever, including delivery to other governments for the furtherance of mutual defense of the United States Government and other governments, all technical data including reports, drawings and blueprints, and all computer software, specified to be delivered by the Contractor to the United States Government under this contract.

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 60 FR 33505, June 28, 1995]

252.227–7033 Rights in shop drawings.

As prescribed in 227.7107–(1)(c), use the following clause:

RIGHTS IN SHOP DRAWINGS (APR 1966)

(a) Shop drawings for construction means drawings, submitted to the Government by the Construction Contractor, subcontractor or any lower-tier subcontractor pursuant to a construction contract, showing in detail (i) the proposed fabrication and assembly of structural elements and (ii) the installation (i.e., form, fit, and attachment details) of materials or equipment. The Government may duplicate, use, and disclose in any manner and for any purpose shop drawings delivered under this contract.

(b) This clause, including this paragraph (b), shall be included in all subcontracts hereunder at any tier.

252.227–7036 Validation of restrictive markings on technical data.

As prescribed in 227.7102–4(c), 227.7103–6(e)(3), 227.7104(e)(5), or 227.7203–6(f), use the following clause:

VALIDATION OF RESTRICTIVE MARKINGS ON TECHNICAL DATA (SEP 2011)

(a) Definitions. The terms used in this clause are defined in the Rights in Technical Data—Noncommercial Items clause of this contract.

(b) Presumption regarding development exclusively at private expense.

(1) Commercial items. For commercially available off-the-shelf items (defined at 41 U.S.C. 104) in all cases, and for all other commercial items except as provided in paragraph (b)(2) of this clause, the Contracting Officer will presume that a Contractor’s asserted use or release restrictions are justified on the basis that the item, component or process was developed exclusively at private expense. The Contractor shall not challenge such assertions unless the Contractor demonstrates that the item, component, or process was not developed exclusively at private expense.

(2) Major systems. The presumption of development exclusively at private expense does not apply to major systems or subsystems or components thereof, except for commercially available off-the-shelf items (which are governed by paragraph (b)(1) of this clause). When the Contracting Officer challenges an asserted restriction regarding technical data for a major system or a subsystem or component thereof on the basis that the item, component, or process was not developed exclusively at private expense, the Contracting Officer will sustain the challenge unless information provided by the Contractor or subcontractor demonstrates that the item, component, or process was developed exclusively at private expense.

(c) Justification. The Contractor or subcontractor at any tier is responsible for maintaining records sufficient to justify the validity of its markings that impose restrictions on the Government and others to use, duplicate, or disclose technical data delivered or required to be delivered under the contract or subcontract. Except as provided in paragraph (b)(1) of this clause, the Contractor or subcontractor shall be prepared to furnish to the Contracting Officer a written justification for such restrictive markings in response to a challenge under paragraph (e) of this clause.

(d) Prechallenge request for information. (1) The Contracting Officer may request the Contractor or subcontractor to furnish a written explanation for any restriction asserted by the Contractor or subcontractor on the right of the United States or others to use technical data. If, upon review of the explanation submitted, the Contracting Officer remains unable to ascertain the basis of the restrictive marking, the Contracting Officer may further request the Contractor or subcontractor to justify the validity of any restrictive marking on technical data delivered or to be delivered under the contract or subcontract (e.g., a statement of facts accompanied with supporting documentation). The Contractor or subcontractor shall submit such written data as requested by the Contracting Officer within the time required or such longer period as may be mutually agreed.

(2) If the Contracting Officer, after reviewing the written data furnished pursuant to paragraph (d)(1) of this clause, or any other available information pertaining to the validity of a restrictive marking, determines that reasonable grounds exist to question the current validity of the marking and that continued adherence to the marking would make impracticable the subsequent competitive acquisition of the item, component, or process to which the technical data relates, the Contracting Officer shall follow the procedures in paragraph (e) of this clause.

(3) If the Contractor or subcontractor fails to respond to the Contracting Officer’s request for information under paragraph (d)(1) of this clause, and the Contracting Officer determines that continued adherence to the marking would make impracticable the subsequent competitive acquisition of the item, component, or process to which the technical data relates, the Contracting Officer may challenge the validity of the marking as described in paragraph (e) of this clause.

(e) Challenge. (1) Notwithstanding any provision of this contract concerning inspection and acceptance, if the Contracting Officer determines that a challenge to the restrictive marking is warranted, the Contracting Officer shall send a written challenge notice to the Contractor or subcontractor asserting the restrictive markings. Such challenge shall:

(i) State the specific grounds for challenging the asserted restriction;

(ii) Require a response within sixty (60) days justifying and providing sufficient evidence as to the current validity of the asserted restriction;

(iii) State that a DoD Contracting Officer’s final decision, issued pursuant to paragraph (d) of this clause.
(g) of this clause, sustaining the validity of a restrictive marking identical to the asserted restriction, within the three-year period preceding the challenge, shall serve as justification for the asserted restriction if the validated restriction was asserted by the same Contractor or subcontractor (or any licensee or subcontractor thereof). The Contracting Officer or subcontractor to which the notice is provided shall formulate and distribute a schedule for responding to each challenge notice to all interested parties. The schedule shall afford the Contractor or subcontractor an opportunity to respond to each challenge notice. All parties will be bound by this schedule.

(1) Final decision when Contractor or subcontractor fails to respond. Upon a failure of a Contractor or subcontractor to submit any response to the challenge notice the Contracting Officer will issue a final decision to the Contractor or subcontractor in accordance with the Disputes clause of this contract pertaining to the validity of the asserted restriction. This final decision shall be issued as soon as possible after the expiration of the time period of paragraph (e)(1)(ii) or (e)(2) of this clause. Following issuance of the final decision, the Contracting Officer will comply with the procedures in paragraphs (g)(2)(i) through (iv) of this clause.

(g) Final decision when Contractor or subcontractor responds. (1) If the Contracting Officer determines that the Contractor or subcontractor has justified the validity of the restrictive marking, the Contracting Officer shall issue a final decision to the Contractor or subcontractor sustaining the validity of the restrictive marking, and stating that the Government will continue to be bound by the restrictive marking. This final decision shall be issued within sixty (60) days after receipt of the Contractor’s or subcontractor’s response to the challenge notice, or within any longer period that the Contracting Officer determines will be consistent with the procedures in paragraphs (g)(2)(i) through (iv) of this clause.

(2) The Contracting Officer shall extend the time for response as appropriate if the Contractor or subcontractor submits a written request showing the need for additional time to prepare a response.

(3) The Contractor’s or subcontractor’s written response shall be considered a claim within the meaning of the Contract Disputes Act of 1978 (41 U.S.C. 7101), and shall be certified in the form prescribed at 33.207 of the Federal Acquisition Regulation, regardless of dollar amount.

(4) A Contractor or subcontractor receiving challenges to the same restrictive markings from more than one Contracting Officer shall notify each Contracting Officer of the existence of more than one challenge. The notice shall also state which Contracting Officer initiated the first in time unanswered challenge. The Contracting Officer initiating the first in time unanswered challenge after consultation with the Contractor or subcontractor and the other Contracting Officers, shall formulate and distribute a schedule for responding to each of the challenge notices to all interested parties. The schedule shall afford the Contractor or subcontractor an opportunity to respond to each challenge notice. All parties will be bound by this schedule.

(i) The Government agrees that it will continue to be bound by the restrictive marking of a period of ninety (90) days from the issuance of the Contracting Officer’s final decision under paragraph (g)(2)(i) of this clause. The Government may cancel or ignore the restrictive marking where a notice of intent to file suit is provided to the Contracting Officer within ninety (90) days from the issuance of the Contracting Officer’s final decision under paragraph (g)(2)(i) of this clause. If the Contractor or subcontractor fails to appeal, file suit, or provide a notice of intent to file suit to the Contracting Officer within ninety (90) days from the issuance of the Contracting Officer’s final decision under paragraph (g)(2)(i) of this clause, the Government may cancel or ignore the restrictive marking, and the failure of the Contractor or subcontractor to take the required action constitutes agreement with such Government action.

(ii) The notice of intent to file suit shall be provided to the Contracting Officer within ninety (90) days from the issuance of the final decision under paragraph (g)(2)(i) of this clause. If the Contractor or subcontractor fails to appeal, file suit, or provide a notice of intent to file suit to the Contracting Officer within ninety (90) days from the issuance of the final decision, the Government may cancel or ignore the restrictive marking, and the failure of the Contractor or subcontractor to take the required action constitutes agreement with such Government action.

(iii) The Government agrees that it will continue to be bound by the restrictive marking where a notice of intent to file suit in the United States Claims Court is provided to the Contracting Officer within ninety (90) days from the issuance of the final decision under paragraph (g)(2)(i) of this clause. The Government will no longer be bound, and the Contractor or subcontractor agrees that the Government may strike or ignore the restrictive markings. If the Contractor or subcontractor fails to file its suit within one (1) year after issuance of the final decision, the restrictive marking shall expire.

Notwithstanding the foregoing, where the head of an agency determines, on
a nondelegable basis, that urgent or compelling circumstances will not permit waiting for the filing of a suit in the United States Claims Court, the Contractor or subcontractor agrees that the agency may, following notice to the Contractor or subcontractor, authorize release or disclosure of the technical data. Such agency determination may be made at any time after issuance of the final decision and will not affect the Contractor’s or subcontractor’s right to damages against the United States where its restrictive markings are ultimately upheld or to pursue other relief, if any, as may be provided by law.

(iv) The Government agrees that it will be bound by the restrictive marking where an appeal or suit is filed pursuant to the Contract Disputes Act until final disposition by an agency Board of Contract Appeals or the United States Claims Court. Notwithstanding the foregoing, where the head of an agency determines, on a nondelegable basis, following notice to the Contractor that urgent or compelling circumstances will not permit waiting the decision by such Board of Contract Appeals or the United States Claims Court, the Contractor or subcontractor agrees that the agency may authorize release or disclosure of the technical data. Such agency determination may be made at any time after issuance of the final decision and will not affect the Contractor’s or subcontractor’s right to damages against the United States where its restrictive markings are ultimately upheld or to pursue other relief, if any, as may be provided by law.

(b) Final disposition of appeal or suit. (1) If the Contractor or subcontractor appeals or files suit and if, upon final disposition of the appeal or suit, the Contracting Officer’s decision is sustained—

(i) The restrictive marking on the technical data shall be cancelled, corrected or ignored; and

(ii) If the restrictive marking is found not to be substantially justified, the Contractor or subcontractor, as appropriate, shall be liable to the Government for payment of the cost to the Government of reviewing the restrictive marking and the fees and other expenses (as defined in 28 U.S.C. 2412(d)(2)(A)) incurred by the Government in challenging the marking, unless special circumstances would make such payment unjust.

(2) If the Contractor or subcontractor appeals or files suit and if, upon final disposition of the appeal or suit, the Contracting Officer’s decision is not sustained—

(i) The Government shall continue to be bound by the restrictive marking; and

(ii) The Government shall be liable to the Contractor or subcontractor for payment of fees and other expenses (as defined in 28 U.S.C. 2412(d)(2)(A)) incurred by the Contractor or subcontractor in defending the marking, if the challenge by the Government is found not to have been made in good faith.

(i) Duration of right to challenge. The Government may review the validity of any restriction on technical data, delivered or to be delivered under a contract, asserted by the Contractor or subcontractor. During the period within three (3) years of final payment on a contract or within three (3) years of delivery of the technical data to the Government, whichever is later, the Contracting Officer may review and make a written determination to challenge the restriction. The Government may, however, challenge a restriction on the release, disclosure or use of technical data at any time if such technical data—

(1) Is publicly available;

(2) Has been furnished to the United States without restriction;

(3) Has been otherwise made available without restriction. Only the Contracting Officer’s final decision resolving a formal challenge by sustaining the validity of a restrictive marking constitutes “validation” as addressed in 10 U.S.C. 2321.

(j) Decision not to challenge. A decision by the Government, or a determination by the Contracting Officer, to not challenge the restrictive marking or asserted restriction shall not constitute “validation.”

(k) Privity of contract. The Contractor or subcontractor agrees that the Contracting Officer may transact matters under this clause directly with subcontractors at any tier that assert restrictive markings. However, this clause neither creates nor implies privity of contract between the Government and subcontractors.

(l) Flowdown. The Contractor or subcontractor agrees to insert this clause in contractual instruments with its subcontractors or suppliers at any tier requiring the delivery of technical data.

(End of clause)

472
Definition of Subject Invention:  Subject invention refers to any invention of the Contractor made in the performance of work under this contract. It includes any invention of the Contractor made in the course of contract work. Subject inventions are subject to the provisions of this clause.

(2) License: The Contractor shall retain a nonexclusive royalty-free license throughout the world in each subject invention to which the Government obtains title, unless the Contractor fails to disclose the invention within the times specified in paragraph (c) of this clause. The Contractor’s license:

(A) Extends to any domestic subsidiaries and affiliates within the corporate structure of which the Contractor is a part;

(B) Includes the right to grant sublicenses to the extent the Contractor was legally obligated to do so at the time of contract award;

(C) Is transferable only with the approval of the agency, except when transferred to the successor of that part of the Contractor’s business to which the invention pertains.

(ii) The agency—

(A) May revoke or modify the Contractor’s domestic license to the extent necessary to achieve expeditious practical application of the subject invention pursuant to an application for an exclusive license submitted in accordance with 37 CFR Part 404 and agency licensing regulations;

(B) Will not revoke the license in that field of use or the geographical areas in which the Contractor has achieved practical application and continues to make the benefits of the invention reasonably accessible to the public; and

(C) May revoke or modify the license in any foreign country to the extent the Contractor, its licensees, or the domestic subsidiaries or affiliates have failed to achieve practical application in that foreign country.

(iii) Before revoking or modifying the license, the agency—

(A) Will furnish the Contractor a written notice of its intention to revoke or modify the license; and

(B) Will allow the Contractor 30 days (or such other time as the funding agency may authorize for good cause shown by the Contractor) after the notice to show cause why the license should not be revoked or modified.

(iv) The Contractor has the right to appeal, in accordance with 37 CFR part 404 and agency regulations, concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of the license.

(c) Contractor’s obligations. (1) The Contractor shall—

(i) Disclose, in writing, each subject invention to the Contracting Officer within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters, or within 6 months after the Contractor first becomes aware that a subject invention has been made, whichever is earlier;

(ii) Include in the disclosure—

(A) The inventor(s) and the contract under which the invention was made;

(B) Sufficient technical detail to convey a clear understanding of the invention; and

(C) Any publication, on sale (i.e., sale or offer for sale), or public use of the invention and whether a manuscript describing the invention has been submitted for publication and, if so, whether it has been accepted for publication; and

(iii) After submission of the disclosure, promptly notify the Contracting Officer of the acceptance of any manuscript describing the invention for publication and of any on sale or public use.

(2) The Contractor shall elect in writing whether or not to retain ownership of any subject invention by notifying the Contracting Officer at the time of disclosure or within 8 months of disclosure, as to those countries (including the United States) in which the Contractor will retain ownership. However, in any case where publication, on
sale, or public use has initiated the 1-year statutory period during which valid patent protection can be obtained in the United States, the agency may shorten the period of time for disclosure, election, or filing of any application; or have practiced for or on behalf of the United States, the subject invention throughout the world.

(e) Contractor action to protect the Government’s interest. (1) The Contractor shall execute or have executed and promptly deliver to the agency all instruments necessary to—
   (i) Establish or confirm the rights the Government has throughout the world in those subject inventions in which the Contractor elects to retain ownership; and
   (ii) Assign title to the agency when requested under paragraph (d)(1) of this clause and enable the Government to obtain patent protection for that subject invention in any country.

(2) The Contractor shall—
   (i) Require, by written agreement, its employees, other than clerical and nontechnical employees, to—
      (A) Disclose each subject invention promptly in writing to personnel identified as responsible for the administration of patent matters, so that the Contractor can comply with the disclosure provisions in paragraph (c) of this clause; and
      (B) Provide the disclosure in the Contractor’s format, which should require, as a minimum, the information required by paragraph (c)(1) of this clause;
   (ii) Instruct its employees, through employee agreements or other suitable educational programs, as to the importance of reporting inventions in sufficient time to permit the filing of patent applications prior to U.S. or statutory foreign bars; and
   (iii) Execute all papers necessary to file patent applications on subject inventions and to establish the Government’s rights in the subject inventions.

(3) The Contractor shall notify the Contracting Officer of any decisions not to file a nonprovisional patent application, continue the prosecution of a patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than 30 days before the expiration of the response or filing period required by the relevant patent office.

(4) The Contractor shall include, within the specification of any United States nonprovisional patent application and any patent issuing thereon covering a subject invention, the following statement: “This invention was made with Government support under [identify the contract] awarded by [identify the agency]. The Government has certain rights in this invention.”

(5) The Contractor shall—
   (i) Establish and maintain active and effective procedures to ensure that subject inventions are promptly identified and disclosed to Contractor personnel responsible for patent matters;
   (ii) Include in these procedures the maintenance of—
Defense Acquisition Regulations System, DOD 252.227-7038

(A) Laboratory notebooks or equivalent records and other records as are reasonably necessary to document the conception and/or the first actual reduction to practice of subject inventions; and

(B) Records that show that the procedures for identifying and disclosing the inventions are followed; and

(ii) Upon request, furnish the Contracting Officer a description of these procedures for evaluation and for determination as to their effectiveness.

(iii) The Contractor shall, when licensing a subject invention, arrange to—

(A) Provide for the refund in any instrument transferring rights in the invention to any party.

(i) Interim reports every 12 months (or any longer period as may be specified by the Contracting Officer) from the date of the contract, listing subject inventions during that period and stating that all subject inventions have been disclosed or that there are no subject inventions.

(ii) A final report, within 3 months after completion of the contracted work, listing all subject inventions or stating that there were no subject inventions, and listing all subcontracts at any tier containing a patent rights clause or stating that there were no subcontracts.

(iv) Patent number and issue date.

(c) The work to be performed under the subcontract; and

(d) The dates of award and estimated completion.

(ii) The Contractor shall furnish, upon request, a copy of the subcontract, and no more frequently than annually, a listing of the subcontracts that have been awarded.

(i) Shall not proceed with that subcontract without the written authorization of the Contracting Officer.

(ii) The Contractor shall provide to the Contracting Officer, upon request, the following information for any subject invention for which the Contractor has retained ownership:

(F) Reporting on utilization of subject inventions.

(i) The Contractor shall—

(i) Submit upon request periodic reports no more frequently than annually on the utilization of a subject invention or on efforts in obtaining utilization of the subject invention that are being made by the Contractor or its licensees or assignees;

(ii) Include in the reports information regarding the status of development, date of first commercial sale or use, gross royalties received by the Contractor, and other information as the agency may reasonably specify; and

(iii) Provide the agency with additional reports that the agency may request in connection with any march-in proceedings undertaken by the agency in accordance with paragraph (h) of this clause.

(2) To the extent permitted by law, the agency shall not disclose the information provided under paragraph (f)(1) of this clause to persons outside the Government without the Contractor's permission, if the data or information is considered by the Contractor or its licensee or assignee to be “privileged and confidential” (see 5 U.S.C. 552(b)(4)) and is so marked.

(g) Preference for United States industry.

Notwithstanding any other provision of this clause, the Contractor agrees that neither the Contractor nor any assignee shall grant to any person the exclusive right to use or sell any subject invention in the United States unless the person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the agency may waive the requirement for an exclusive license agreement upon a showing by the Contractor or its assignee that—

(1) Reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States; or
252.227–7038

(2) Under the circumstances, domestic manufacture is not commercially feasible.

(h) March-in rights. The Contractor acknowledges that, with respect to any subject invention in which it has retained ownership, the agency has the right to require licensing pursuant to 35 U.S.C. 209 and 210(c), 37 CFR 401.6, and any supplemental regulations of the agency in effect on the date of contract award.

(i) Other inventions. Nothing contained in this clause shall be deemed to grant to the Government any rights with respect to any invention other than a subject invention.

(j) Examination of records relating to inventions. (1) The Contracting Officer or any authorized representative shall, until 3 years after final payment under this contract, have the right to examine any books (including laboratory notebooks), records, and documents of the Contractor relating to the conception or first reduction to practice of inventions in the same field of technology as the work under this contract to determine whether—

(i) Any inventions are subject inventions;

(ii) The Contractor has established procedures required by paragraph (e)(5) of this clause; and

(iii) The Contractor and its inventors have complied with the procedures.

(2) If the Contracting Officer learns of an unreported Contractor invention that the Contracting Officer believes may be a subject invention, the Contractor shall be required to disclose the invention to the agency for a determination of ownership rights.

(3) Any examination of records under this paragraph (j) shall be subject to appropriate conditions to protect the confidentiality of the information involved.

(k) Withholding of payment (this paragraph does not apply to subcontracts). (1) Any time before final payment under this contract, the Government’s interest, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of the contract, whichever is less, is set aside if, in the Contracting Officer’s opinion, the Contractor fails to—

(i) Establish, maintain, and follow effective procedures for identifying and disclosing subject inventions pursuant to paragraph (e)(5) of this clause;

(ii) Disclose any subject invention pursuant to paragraph (e)(1) of this clause;

(iii) Deliver acceptable interim reports pursuant to paragraph (e)(7)(ii) of this clause; or

(iv) Provide the information regarding subcontracts pursuant to paragraph (e)(8) of this clause.

(2) The reserve or balance shall be withheld until the Contracting Officer has determined that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this clause.

(3) The Government will not make final payment under this contract before the Contractor delivers to the Contracting Officer—

(i) All disclosures of subject inventions required by paragraph (c)(1) of this clause;

(ii) An acceptable final report pursuant to paragraph (e)(7)(ii) of this clause; and

(iii) All past due confirmatory instruments.

(4) The Contracting Officer may decrease or increase the sums withheld up to the maximum authorized in paragraph (k)(1) of this clause. No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The withholding of any amount or the subsequent payment thereof shall not be construed as a waiver of any Government right.

(l) Subcontracts. (1) The Contractor—

(i) Shall include the substance of the Patent Rights-Ownership by the Contractor clause set forth at 52.227–11 of the Federal Acquisition Regulation (FAR), in all subcontracts for experimental, developmental, or research work, unless a different patent rights clause is required by FAR 27.305.

(2) For subcontracts at any tier—

(i) The patents rights clause included in the subcontract shall retain all references to the Government and shall provide to the subcontractor all the rights and obligations provided to the Contractor in the clause. The Contractor shall not, as consideration for awarding the subcontract, obtain rights in the subcontractor’s subject inventions; and

(ii) The Government, the Contractor, and the subcontractor agree that the mutual obligations of the parties created by this clause constitute a contract between the subcontractor and the Government with respect to those matters covered by this clause. However, nothing in this paragraph is intended to confer any jurisdiction under the Contract Disputes Act in connection with proceedings under paragraph (h) of this clause.

(End of clause)

Alternate I (DEC 2007). As prescribed in 227.303(2)(ii), add the following paragraph (b)(2)(v) to the basic clause:

(v) The license shall include the right of the Government to sublicense foreign governments, their nationals, and international
organizations pursuant to the following treaties or international agreements:

[*Contracting Officer to complete with the names of applicable existing treaties or international agreements. This paragraph is not intended to apply to treaties or agreements that are in effect on the date of the award but are not listed.]*

Alternate II (DEC 2007). As prescribed in 227.303(2)(iii), add the following paragraph (b)(2)(v) to the basic clause:

(v) The agency reserves the right to—
(A) Unilaterally amend this contract to identify specific treaties or international agreements entered into or to be entered into by the Government after the effective date of this contract; and
(B) Exercise those license or other rights that are necessary for the Government to meet its obligations to foreign governments, their nationals, and international organizations under any treaties or international agreement with respect to subject inventions made after the date of the amendment.

[72 FR 69160, Dec. 7, 2007]

252.227–7039 Patents—reporting of subject inventions.

As prescribed in 227.303(1), use the following clause:

PATENTS—REPORTING OF SUBJECT INVENTIONS (APR 1990)

The Contractor shall furnish the Contracting Officer the following:

(a) Interim reports every twelve (12) months (or such longer period as may be specified by the Contracting Officer) from the date of the contract, listing subject inventions during that period and stating that all subject inventions have been disclosed or that there are no such inventions.
(b) A final report, within three (3) months after completion of the contracted work, listing all subject inventions or stating that there were no such inventions.
(c) Upon request, the filing date, serial number and title, a copy of the patent application and patent number, and issue date for any subject invention for which the Contractor has retained title.
(d) Upon request, the Contractor shall furnish the Government an irrevocable power to inspect and make copies of the patent application file.

(End of clause)


252.228–7000 Reimbursement for war-hazard losses.

As prescribed in 228.370(a), use the following clause:

REIMBURSEMENT FOR WAR-HAZARD LOSSES (DEC 1991)

(a) Costs for providing employee war-hazard benefits in accordance with paragraph (b) of the Workers’ Compensation and War-Hazard Insurance clause of this contract are allowable if the Contractor—
(1) Submits proof of loss files to support payment or denial of each claim;
(2) Subject to Contracting Officer approval, makes lump sum final settlement of any open claims and obtains necessary release documents within one year of the expiration or termination of this contract, unless otherwise extended by the Contracting Officer; and
(3) Provides the Contracting Officer at the time of final settlement of this contract—
(i) An investigation report and evaluation of any potential claim; and
(ii) An estimate of the dollar amount involved should the potential claim mature.
(b) The cost of insurance for liabilities reimbursable under this clause is not allowable.
(c) The Contracting Officer may require the Contractor to assign to the Government all right, title, and interest to any refund, rebate, or recapture arising out of any claim settlements.
(d) The Contractor agrees to—
(1) Investigate and promptly notify the Contracting Officer in writing of any occurrence which may give rise to a claim or potential claim, including the estimated amount of the claim;
(2) Give the Contracting Officer immediate written notice of any suit or action filed which may result in a payment under this clause; and
(3) Provide assistance to the Government in connection with any third party suit or claim relating to this clause which the Government elects to prosecute or defend in its own behalf.

(End of clause)

252.228–7001 Ground and flight risk.

As prescribed in 228.370(b), use the following clause:

GROUND AND FLIGHT RISK (JUN 2010)

(a) Definitions. As used in this clause—
(1) Aircraft, unless otherwise provided in the contract Schedule, means—
(i) Aircraft to be delivered to the Government under this contract (either before or
after Government acceptance), including complete aircraft and aircraft in the process of being manufactured, disassembled, or reassembled; provided that an engine, portion of an engine, or a wing is attached to a fuselage of the aircraft;

(ii) Aircraft, whether in a state of disassembly or reassembly, furnished by the Government to the Contractor under this contract, including all Government property installed, in the process of installation, or temporarily removed; provided that the aircraft and property are not covered by a separate bailment agreement;

(iii) Aircraft furnished by the Contractor under this contract (either before or after Government acceptance); or

(iv) Conventional winged aircraft, as well as helicopters, vertical take-off or landing aircraft, lighter-than-air airships, unmanned aerial vehicles, or other nonconventional aircraft specified in this contract.

(2) Contractor’s managerial personnel means the Contractor’s directors, officers, and any of the Contractor’s managers, superintendents, or other equivalent representatives who have supervision or direction of—

(i) All or substantially all of the Contractor’s business;

(ii) All or substantially all of the Contractor’s operation at any one plant or separate location; or

(iii) A separate and complete major industrial operation.

(3) Contractor’s premises means those premises, including subcontractors’ premises, designated in the Schedule or in writing by the Contracting Officer, and any other place the aircraft is moved for safeguarding.

(4) Flight means any flight demonstration, flight test, taxi test, or other flight made in the performance of this contract, or for the purpose of conducting any flight on behalf of the Contractor. It also includes any pilot or operator of an unmanned aerial vehicle. If required, a defense systems operator may also be assigned as a flight crew member.

(5) Flight crew member means the pilot, the co-pilot, and, unless otherwise provided in the Schedule, the flight engineer, navigator, and bombardier-navigator when assigned to their respective crew positions for the purpose of conducting any flight on behalf of the Contractor. It also includes any pilot or operator of an unmanned aerial vehicle. If required, a defense systems operator may also be assigned as a flight crew member.

(6) In the open means located wholly outside of buildings on the Contractor’s premises or other places described in the Schedule as being “in the open.” Government-furnished aircraft shall be considered to be located “in the open” at all times while in the Contractor’s possession, care, custody, or control.

(7) Operation means operations and tests of the aircraft and its installed equipment, accessories, and power plants, while the aircraft is in the open or in motion. The term does not apply to aircraft on any production line or in flight.

(b) Combined regulation/instruction. The Contractor shall be bound by the operating procedures contained in the combined regulation/instruction entitled “Contractor’s Flight and Ground Operations” (Air Force Instruction 10–220, Army Regulation 35–20, NAVAIR Instruction 3710.1 (Series), Coast Guard Instruction M13020.3, and Defense Contract Management Agency Instruction 8210.1) in effect on the date of contract award.

(c) Government as self-insurer. Subject to the conditions in paragraph (d) of this clause, the Government self-insures and assumes the risk of damage to, or loss or destruction of aircraft “in the open,” during “operation,” and in “flight,” except as may be specifically provided in the Schedule as an exception to this clause. The Contractor shall not be liable to the Government for such damage, loss, or destruction beyond the Contractor’s share of loss amount under the Government’s self-insurance.

(d) Conditions for Government’s self-insurance. The Government’s assumption of risk for aircraft in the open shall continue unless the Contracting Officer finds that the Contractor has failed to comply with paragraph (b) of this clause, or that the aircraft is in the open under unreasonable conditions, and the Contractor fails to take prompt corrective action.

(1) The Contracting Officer, when finding that the Contractor has failed to comply with paragraph (b) of this clause or that the
aircraft is in the open under unreasonable conditions, shall notify the Contractor in writing and shall require the Contractor to make corrections within a reasonable time.

(ii) The Contractor shall promptly correct the cited conditions, regardless of whether there is agreement that the conditions are unreasonable.

(iii) If the Contracting Officer later determines that the cited conditions were not unreasonable, an equitable adjustment shall be made in the contract price for any additional costs incurred in correcting the conditions.

(ii) Any dispute as to the unreasonableness of the conditions or the equitable adjustment shall be considered a dispute under the Disputes clause of this contract.

(2) Upon receipt of the notice, the Contractor shall promptly notify the Government of its liability for damage, loss, or destruction of the aircraft, the Contracting Officer may terminate the Government’s assumption of risk for any aircraft in the open under the cited conditions. The termination will be effective at 12:01 a.m. on the fifteenth day following the day the written notice is received by the Contractor.

(i) If the Contracting Officer later determines that the Contractor acted promptly to correct the cited conditions or failed to correct the conditions within a reasonable time, the Contracting Officer may terminate the Government’s assumption of risk for any aircraft in the open under the cited conditions. The contractor is notified that the Government will resume the risk of loss.

(ii) Any dispute as to the timeliness of the Contractor’s action or the equitable adjustment shall be considered a dispute under the Disputes clause of this contract.

(3) If the Contracting Officer finds that the Contractor failed to act promptly to correct the cited conditions or failed to correct the conditions within a reasonable time, the Contractor is notified that the Government’s termination of its assumption of risk for the aircraft is in the open under unreasonable conditions, regardless of whether there is agreement that the conditions are unreasonable.

(i) The Contractor shall thereafter assume the entire risk for damage, loss, or destruction of the affected aircraft;

(ii) Any costs incurred by the Contractor (including the costs of the Contractor’s self-insurance, insurance premiums paid to insure the Contractor’s assumption of risk, deductibles associated with such purchased insurance, etc.) to mitigate its assumption of risk are unallowable costs; and

(iii) The liability provisions of the Government Property clause of this contract are not applicable to the affected aircraft.

(5) The Contractor shall promptly notify the Contracting Officer when unreasonable conditions have been corrected.

(i) If, upon receipt of the Contractor’s notice of the correction of the unreasonable conditions, the Government elects to again assume the risk of loss and relieve the Contractor of its liability for damage, loss, or destruction of the aircraft, the Contracting Officer will notify the Contractor of the Contracting Officer’s decision to resume the Government’s risk of loss. The Contractor shall be entitled to an equitable adjustment in the contract price for any insurance costs extending from the end of the third working day after the Government’s receipt of the Contractor’s notice of correction until the Contractor is notified that the Government will resume the risk of loss.

(ii) If the Government does not again assume the risk of loss and the unreasonable conditions have been corrected, the Contractor shall be entitled to an equitable adjustment for insurance costs, if any, extending after the third working day after the Government’s receipt of the Contractor’s notice of correction.

(6) The Government’s termination of its assumption of risk does not relieve the Contractor of its obligation to comply with all other provisions of this clause, including the combined regulation/instruction entitled “Contractor’s Flight and Ground Operations.”

(e) Exclusions from the Government’s assumption of risk. The Government’s assumption of risk shall not extend to damage, loss, or destruction of aircraft which—

(1) Results from failure of the Contractor, due to willful misconduct or lack of good faith of any of the Contractor’s managerial personnel, to maintain and administer a program for the protection and preservation of aircraft in the open and during operation in accordance with sound industrial practice, including oversight of a subcontractor’s program;

(2) Is sustained during flight if either the flight or the flight crew members have not been approved in advance of any flight in writing by the Government Flight Representative, who has been authorized in accordance with the combined regulation/instruction entitled “Contractor’s Flight and Ground Operations”; (3) Occurs in the course of transportation by rail, or by conveyance on public streets, highways, or waterways, except for Government-furnished property;

(4) Is covered by insurance;

(5) Consists of wear and tear; deterioration (including rust and corrosion); freezing; or mechanical, structural, or electrical breakdown or failure, unless these are the result of other loss, damage or destruction covered by this clause. (This exclusion does not apply to Government-furnished property if damage consists of reasonable wear and tear or deterioration, or results from inherent vice, e.g., a known condition or design defect in the property; or

(6) Is sustained while the aircraft is being worked on and is a direct result of the work unless such damage, loss, or destruction would be covered by insurance which would have been maintained by the Contractor, but for the Government’s assumption of risk.
(f) Contractor's share of loss and Contractor's deductible under the Government's self-insurance. (1) The Contractor assumes the risk of loss and shall be responsible for the Contractor's share of loss and for contractor's deductible under the Government's self-insurance. That share is the lesser of—
   (i) The first $100,000 of loss or damage to aircraft in the open, during operation, or in flight resulting from each separate event, except for reasonable wear and tear and to the extent the loss or damage is caused by negligence of Government personnel; or
   (ii) Twenty percent of the price or estimated cost of this contract.

(2) If the Government elects to require that the aircraft be replaced or restored by the Contractor to its condition immediately prior to the damage, the equitable adjustment in the price authorized by paragraph (j) of this clause shall not include the dollar amount of the risk assumed by the Contractor.

(g) Subcontractor possession or control. The Contractor shall not be relieved from liability for damage, loss, or destruction of aircraft while such aircraft is in the possession or control of its subcontractors, except to the extent that the subcontract, with the written approval of the Contracting Officer, provides for relief from each liability. In the absence of approval, the subcontract shall contain provisions requiring the return of aircraft in as good condition as when received, except for reasonable wear and tear or for the utilization of the property in accordance with the provisions of this contract.

(h) Contractor's exclusion of insurance costs. The Contractor warrants that the contract price does not and will not include, except as may be authorized in this clause, any charge or contingency reserve for insurance covering damage, loss, or destruction of aircraft while in the open, during operation, or in flight when the risk has been assumed by the Government, including the Contractor share of loss in this clause, even if the assumption may be terminated for aircraft in the open.

(i) Procedures in the event of loss. (1) In the event of damage, loss, or destruction of aircraft in the open, during operation, or in flight, the Contractor shall take all reasonable steps to protect the aircraft from further damage, to separate damaged and undamaged aircraft, and to put all aircraft in the best possible order. Except in cases covered by paragraph (f)(2) of this clause, the Contractor shall furnish to the Contracting Officer a statement of—
   (i) The damaged, lost, or destroyed aircraft;
   (ii) The time and origin of the damage, loss, or destruction;
   (iii) All known interests in commingled property of which aircraft are a part; and
   (iv) The insurance, if any, covering the interest in commingled property.

(2) The Contracting Officer will make an equitable adjustment for expenditures made by the Contractor in performing the obligations under this paragraph.

(j) Loss prior to delivery. (1) If prior to delivery and acceptance by the Government, aircraft is damaged, lost, or destroyed and the Government assumed the risk, the Government shall either—
   (i) Require that the aircraft be replaced or restored by the Contractor to the condition immediately prior to the damage, in which event the Contracting Officer will make an equitable adjustment in the contract price and the time for contract performance; or
   (ii) Terminate this contract with respect to the aircraft. Notwithstanding the provisions in any other termination clause under this contract, in the event of termination, the Contractor shall be paid the contract price for the aircraft (or, if applicable, any work to be performed on the aircraft) less any amount the Contracting Officer determines—
      (A) It would have cost the Contractor to complete the aircraft (or any work to be performed on the aircraft) together with anticipated profit on uncompleted work; and
      (B) Would be the value of the damaged aircraft or any salvage retained by the Contractor.

(2) The Contracting Officer shall prescribe the manner of disposition of the damaged, lost, or destroyed aircraft, or any parts of the aircraft. If any additional costs of such disposition are incurred by the Contractor, a further equitable adjustment will be made in
Defense Acquisition Regulations System, DOD 252.228–7004

the amount due the Contractor. Failure of the parties to agree upon termination costs or an equitable adjustment with respect to any aircraft shall be considered a dispute under the Disputes clause of this contract.

(k) Reimbursement from a third party. In the event the Contractor is reimbursed or compensated by a third party for damage, loss, or destruction of aircraft and has also been compensated by the Government, the Contractor shall equitably reimburse the Government. The Contractor shall do nothing to prejudice the Government’s right to recover against third parties for damage, loss, or destruction. Upon the request of the Contracting Officer or authorized representative, the Contractor shall at Government expense furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment or subrogation) in obtaining recovery.

(i) Government acceptance of liability. To the extent the Government has accepted such liability under other provisions of this contract, the Contractor shall not be reimbursed for liability to third persons for loss or damage to property or for death or bodily injury caused by aircraft during flight unless the flight crew members previously have been approved for this flight in writing by the Government Flight Representative, who has been authorized in accordance with the combined regulation entitled “Contractor’s Flight and Ground Operations”.

(m) Subcontracts. The Contractor shall incorporate the requirements of this clause, including this paragraph (m), in all subcontracts.

(End of clause)

252.228–7002 [Reserved]

252.228–7003 Capture and detention.

As prescribed in 228.370(c), use the following clause:

CAPTURE AND DETENTION (DEC 1991)

(a) As used in this clause—

(i) Captured person means any employee of the Contractor who is—

(A) Engaged in activity directly arising out of and in the course of employment under this contract; or

(B) Captured in an area where required to be only in order to perform this contract.

(2) A period of detention begins with the day of capture and continues until the captured person is returned to the place of employment, the United States, or is able to be returned to the jurisdiction of the United States, or until the person’s death is established or legally presumed to have occurred by evidence satisfactory to the Contracting Officer, whichever occurs first.

(3) United States comprises geographically the 50 states and the District of Columbia.

(b) If pursuant to an agreement entered into prior to capture, the Contractor is obligated to pay and has paid detention benefits to a captured person, or the person’s dependents, the Government will reimburse the Contractor up to an amount equal to the lesser of—

(1) Total wage or salary being paid at the time of capture due from the Contractor to the captured person for the period of detention; or

(2) That amount which would have been payable if the detention had occurred under circumstances covered by the War Hazards Compensation Act.

(c) The period of detention shall not be considered as time spent in contract performance, and the Government shall not be obligated to make payment for that time except as provided in this clause.

(d) The obligation of the Government shall apply to the entire period of detention, except that it is subject to the availability of funds from which payment can be made. The rights and obligations of the parties under this clause shall survive prior expiration, completion, or termination of this contract.

(e) The Contractor shall not be reimbursed under this clause for payments made if the employees were entitled to compensation for capture and detention under the War Hazards Compensation Act, as amended.

(End of clause)

252.228–7004 Bonds or other security.

As prescribed in 228.170, use the following provision:
48 CFR Ch. 2 (10–1–11 Edition)

252.228–7005  Bonds or other security (Dec 1991)

(a) Offerors shall furnish a bid guarantee in the amount of $ with their bids. The offeror receiving notice of award shall furnish—
   (1) A performance bond in the penal amount of $; and
   (2) Payment in full of any sum due the Government.

(b) The Contractor shall furnish the performance bond to the Contracting Officer within days after receipt of the notice of award. The Contracting Officer will not issue the notice to proceed until receipt of an acceptable performance bond and payment of any sum due the Government.

(c) Bonds supported by sureties whose names appear on the list contained in Treasury Department Circular 570 are acceptable. Performance bonds from individual sureties are acceptable if each person acting as a surety provides a SF 28, Affidavit of Individual Surety, and a pledge of assets acceptable to the Contracting Officer.

(End of provision)

252.228–7005  Accident reporting and investigation involving aircraft, missiles, and space launch vehicles.

As prescribed in 228.370(d), use the following clause:

ACCIDENT REPORTING AND INVESTIGATION INVOLVING AIRCRAFT, MISSILES, AND SPACE LAUNCH VEHICLES (DEC 1991)

(a) The Contractor shall report promptly to the Administrative Contracting Officer all pertinent facts relating to each accident involving an aircraft, missile, or space launch vehicle being manufactured, modified, repaired, or overhauled in connection with this contract.

(b) If the Government conducts an investigation of the accident, the Contractor will cooperate and assist the Government’s personnel until the investigation is complete.

(c) The Contractor will include a clause in subcontracts under this contract to require subcontractor cooperation and assistance in accident investigations.

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 75 FR 32647, June 8, 2010]

252.228–7006  Compliance with Spanish laws and insurance.

As prescribed at 228.370(e), use the following clause:

COMPLIANCE WITH SPANISH LAWS AND INSURANCE (DEC 1998)

(a) The requirements of this clause apply only if the Contractor is not a Spanish concern.

(b) The Contractor shall, without additional expense to the United States Government, comply with all applicable Spanish Government laws pertaining to sanitation, traffic, security, employment of labor, and all other laws relevant to the performance of this contract. The Contractor shall hold the United States Government harmless and free from any liability resulting from the Contractor’s failure to comply with such laws.

(c) The contractor shall, at his own expense, provide and maintain during the entire performance of this contract, all workmen’s compensation, employees’ liability, bodily injury insurance, and other required insurance adequate to cover the risk assumed by the Contractor. The Contractor shall indemnify and hold harmless the United States Government from liability resulting from all claims for damages as a result of death or injury to personnel or damage to real or personal property related to the performance of this contract.

(d) The Contractor agrees to represent in writing to the Contracting Officer, prior to commencement of work and not later than 15 days after the date of the Notice to Proceed, that the Contractor has obtained the required types of insurance in the following minimum amounts. The representation also shall state that the Contractor will promptly notify the Contracting Officer of any notice of cancellation of insurance or material change in insurance coverage that could affect the United States Government’s interest.

<table>
<thead>
<tr>
<th>Type of insurance</th>
<th>Coverage per person</th>
<th>Coverage per accident</th>
<th>Property damage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive General Liability</td>
<td>$300,000</td>
<td>$1,000,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

(e) The Contractor shall provide the Contracting Officer with a similar representation for all subcontracts with non-Spanish concerns that will perform work in Spain under this contract.

(f) Insurance policies required herein shall be purchased from Spanish insurance companies or other insurance companies legally authorized to conduct business in Spain. Such policies shall conform to Spanish laws and regulations and shall—

(1) Contain provisions requiring submission to Spanish law and jurisdiction of any problem that may arise with regard to the interpretation or application of the clauses and conditions of the insurance policy;

(2) Contain a provision authorizing the insurance company, as subrogee of the insured
entity, to assume and attend to directly, with respect to any person damaged, the legal consequences arising from the occurrence of such damages;

(3) Contain a provision worded as follows: “The insurance company waives any right of subrogation against the United States of America that may arise by reason of any payment under this policy.”;

(4) Not contain any deductible amount or similar limitation; and

(5) Not contain any provisions requiring submission to any type of arbitration.

(End of clause)


252.229–7000 Invoices exclusive of taxes or duties.

As prescribed in 229.402–1, use the following clause:

INVOICES EXCLUSIVE OF TAXES OR DUTIES

(JUN 1997)

Invoices submitted in accordance with the terms and conditions of this contract shall be exclusive of all taxes or duties for which relief is available.

(End of clause)


252.229–7001 Tax relief.

As prescribed in 229.402–70(a), use the following clause:

TAX RELIEF (JUN 1997)

(a) Prices set forth in this contract are exclusive of all taxes and duties from which the United States Government is exempt by virtue of tax agreements between the United States Government and the Contractor’s government. The following taxes or duties have been excluded from the contract price:

NAME OF TAX: (Offeror Insert) RATE (PERCENTAGE): (Offeror Insert)

(b) The Contractor’s invoice shall list separately the gross price, amount of tax deducted, and net price charged.

(c) When items manufactured to United States Government specifications are being acquired, the Contractor shall identify the materials or components intended to be imported in order to ensure that relief from import duties is obtained. If the Contractor intends to use imported products from inventories on hand, the price of which includes a factor for import duties, the Contractor shall ensure the United States Government’s exemption from these taxes. The Contractor may obtain a refund of the import duties from its government or request the duty-free import of an amount of supplies or components corresponding to that used from inventory for this contract.

(End of clause)

Alternate I (JUN 1997). As prescribed in 229.402–70(a), add the following paragraph (d) to the basic clause:

(d) Tax relief will be claimed in Germany pursuant to the provisions of the Agreement Between the United States of America and Germany Concerning Tax Relief to be Accorded by Germany to United States Expenditures in the Interest of Common Defense. The Contractor shall use Abwicklungsschein fuer abgabenbeguenstigte Lieferungen/Leistungen nach dem Offshore Steuerabkommen (Performance Certificate for Tax-Free Deliveries/Performance according to the Offshore Tax Relief Agreement) or other documentary evidence acceptable to the German tax authorities. All purchases made and paid for on a tax-free basis during a 30-day period may be accumulated, totaled, and reported as tax-free.


252.229–7002 Customs exemptions (Germany).

As prescribed in 229.402–70(b), use the following clause:

CUSTOMS EXEMPTIONS (GERMANY) (JUN 1997)

Imported products required for the direct benefit of the United States Forces are authorized to be acquired duty-free by the Contractor in accordance with the provisions of the Agreement Between the United States of America and Germany Concerning Tax Relief to be Accorded by Germany to United States Expenditures in the Interest of Common Defense.

(End of clause)


252.229–7003 Tax Exemptions (Italy).

As prescribed in 229.402–70(c), use the following clause:

TAX EXEMPTIONS (ITALY) (JAN 2002)

(a) The Contractor represents that the contract price, including the prices in subcontracts awarded under this contract, does not include taxes from which the United States Government is exempt.

(b) The United States Government is exempt from payment of Imposta Valore
252.229–7004 Aggiunto (IVA) tax in accordance with Article 72 of the IVA implementing decree on all supplies and services sold to United States Military Commands in Italy.

1. The Contractor shall include the following information on invoices submitted to the United States Government:
   (i) The contract number.
   (ii) The IVA tax exemption claimed pursuant to Article 72 of Decree Law 633, dated October 26, 1972.
   (iii) The following fiscal code(s): [Contracting Officer must insert the applicable fiscal code(s) for military activities within Italy: 80028250241 for Army, 80156020630 for Navy, or 91000196933 for Air Force].

2. Upon receipt of the invoice, the paying officer will include the following certification on one copy of the invoice:
   - I certify that this invoice is true and correct and reflects expenditures made in Italy for the Common Defense by the United States Government pursuant to international agreements. The amount to be paid does not include the IVA tax, because this transaction is not subject to the tax in accordance with Article 72 of Decree Law 633, dated October 26, 1972.
   - An authorized United States Government official will sign the copy of the invoice containing this certification.

3. The Contractor shall retain the certified copy together with payment to the Contractor. The payment will not include the amount of the IVA tax.

4. The Contractor shall retain the certified copy for substantiating non-payment of the IVA tax.

5. The Contractor may address questions regarding the IVA tax to the Ministry of Finance, IVA Office, Rome (06) 520741.

6. In addition to the IVA tax, purchases by the United States Forces in Italy are exempt from the following taxes:
   (1) Imposta di Fabbricazione (Production Tax for Petroleum Products).
   (2) Imposta di Consumo (Consumption Tax for Electrical Power).
   (3) Dazi Doganali (Customs Duties).
   (4) Tassa di Sbarco e d’Imbarco sulle Merci Transportate per Via Aerea e per Via Marittima (Port Fees).
   (5) Tassa de Circolazione sui Veicoli (Vehicle Circulation Tax).
   (6) Imposta di Registro (Registration Tax).
   (7) Imposta di Bollo (Stamp Tax).

(End of clause)

[67 FR 4210, Jan. 29, 2002]

252.229–7004 Status of contractors as a direct contractor (Spain).

As prescribed in 229.402–70(d), use the following clause:

STATUS OF CONTRACTOR AS A DIRECT CONTRACTOR (SPAIN) (JUN 1997)

(a) “Direct Contractor,” as used in this clause, means an individual, company, or entity with whom an agency of the United States Department of Defense has executed a written agreement that allows duty-free import of equipment, materials, and supplies into Spain for the construction, development, maintenance, and operation of Spanish-American installations and facilities.

(b) The Contractor is hereby designated as a Direct Contractor under the provisions of Complementary Agreement 5, articles 11, 14, 15, 17, and 18 of the Agreement on Friendship, Defense and Cooperation between the United States Government and the Kingdom of Spain, dated July 2, 1982. The Agreement relates to contacts to be performed in whole or part in Spain, the provisions of which are hereby incorporated into and made a part of this contract by reference.

(c) The Contractor shall apply to the appropriate Spanish authorities for approval of status as a Direct Contractor in order to compete duty-free import of non-Spanish equipment, materials, and supplies represented as necessary for contract performance by the Contracting Officer. Orders for equipment, materials, and supplies placed prior to official notification of such approval shall be at the Contractor’s own risk. The Contractor must submit its documentation in sufficient time to permit processing by the appropriate United States and Spanish Government agencies prior to the arrival of the equipment, material, or supplies in Spain. Seasonal variations in processing times are common, and the Contractor should program its projects accordingly. Any delay or expense arising directly or indirectly from this process shall not excuse untimely performance (except as expressly allowed in other provisions of this contract), constitute a direct or constructive change, or otherwise provide a basis for additional compensation or adjustment of any kind.

(d) To ensure that all duty-free imports are properly accounted for, exported, or disposed of, in accordance with Spanish law, the Contractor shall obtain a written bank letter of guaranty payable to the Treasurer of the United States, or such other authority as may be designated by the Contracting Officer, in the amount set forth in paragraph (g) of this clause, prior to effecting any duty-free imports for the performance of this contract.

(e) If the Contractor fails to obtain the required guaranty, the Contractor agrees that the Contracting Officer may withhold a portion of the contract payments in order to establish a fund in the amount set forth in paragraph (g) of this clause. The fund shall be used for the payment of import taxes in
Defense Acquisition Regulations System, DOD 252.229–7007

the event that the Contractor fails to properly account for, export, or dispose of equipment, materials, or supplies imported on a duty-free basis.

(f) The amount of the bank letter of guaranty or size of the fund required under paragraph (d) or (e) of this clause normally shall be 5 percent of the contract value. However, if the Contractor demonstrates to the Contracting Officer’s satisfaction that the amount retained by the United States Government or guaranteed by the bank is excessive, the amount shall be reduced to an amount commensurate with contingent import tax and duty-free liability. This bank guaranty or fund shall not be released to the Contractor until the Spanish General Directorate of Customs verifies the accounting, export, or disposition of the equipment, material, or supplies imported on a duty-free basis.

(g) The amount required under paragraph (d), (e), or (f) of this clause is (Contracting Officer insert amount at time of contract award).

(h) The Contractor agrees to insert the provisions of this clause, including this paragraph (h), in all subcontracts.

(End of clause)


252.229–7005 Tax exemptions (Spain).

As prescribed in 229.402–70(e), use the following clause:

TAX EXEMPTIONS (SPAIN) (JUN 1997)

(a) The Contractor represents that the contract prices, including subcontract prices, do not include the taxes identified herein, or any other taxes from which the United States Government is exempt.

(b) In accordance with tax relief agreements between the United States Government and the Spanish Government, and because the incumbent contract arises from the activities of the United States Forces in Spain, the contract will be exempt from the following excise, luxury, and transaction taxes:

(1) Derechos de Aduana (Customs Duties).
(2) Impuesto de Compensacion a la Importacion (Compensation Tax on Imports).
(3) Transmisiones Patrimoniales (Property Transfer Tax).
(4) Impuesto Sobre el Lujo (Luxury Tax).
(5) Actos Juridicos Documentados (Legal Official Transactions).
(6) Impuesto Sobre el Trafico de Empresas (Business Trade Tax).
(7) Impuestos Especiales de Fabricacion (Special Products Tax).
(8) Impuesto Sobre el Petroleo y Derivados (Tax on Petroleum and its By-Products).
(9) Impuesto Sobre el Uso de Telefona (Telephone Tax).
(10) Impuesto General Sobre la Renta de Sociedades y demas Entidades Juridicas (General Corporation Income Tax).
(11) Impuesto Industrial (Industrial Tax).
(12) Impuesto de Rentas Sobre el Capital (Capital Gains Tax).
(13) Plus Valia (Increase on Real Property).
(14) Contribucion Territorial Urbana (Metropolitan Real Estate Tax).
(15) Contribucion Territorial Rustica y Pecuaria (Farmland Real Estate Tax).
(16) Impuestos de la Diputacion (County Service Charges).
(17) Impuestos Municipal y Tasas Parafiscales (Municipal Tax and Charges).

(End of clause)


252.229–7006 Value added tax exclusion (United Kingdom).

As prescribed in 229.402–70(f), use the following clause:

VALUE ADDED TAX EXCLUSION (UNITED KINGDOM) (JUN 1997)

The supplies or services identified in this contract are to be delivered at a price exclusive of value added tax under arrangements between the appropriate United States authorities and Her Majesty’s Customs and Excise (Reference Priv 467). By executing this contract, the Contracting Officer certifies that these supplies or services are being purchased for United States Government official purposes only.

(End of clause)


252.229–7007 Verification of United States receipt of goods.

As prescribed in 229.402–70(g), use the following clause:

VERIFICATION OF UNITED STATES RECEIPT OF GOODS (JUN 1997)

The Contractor shall insert the following statement on all Material Inspection and Receiving Reports (DD Form 250 series) for Contracting Officer approval: “I certify that the items listed on this invoice have been received by the United States.”

(End of clause)

252.229–7008 Relief from import duty (United Kingdom).

As prescribed in 229.402–70(h), use the following clause:

RELIEF FROM IMPORT DUTY (UNITED KINGDOM) (JUN 1997)

Any import dutiable articles, components, or raw materials supplied to the United States Government under this contract shall be exclusive of any United Kingdom import duty. Any imported items supplied for which import duty already has been paid will be supplied at a price exclusive of the amount of import duty paid. The Contractor is advised to contact Her Majesty’s (HM) Customs and Excise to obtain a refund upon completion of the contract (Reference HM Customs and Excise Notice No. 431, February 1973, entitled “Relief from Customs Duty and/or Value Added Tax on United States Government Expenditures in the United Kingdom”).

(End of clause)


252.229–7009 Relief from customs duty and value added tax on fuel (passenger vehicles) (United Kingdom).

As prescribed in 229.402–70(i), use the following clause:

RELIEF FROM CUSTOMS DUTY AND VALUE ADDED TAX ON FUEL (PASSENGER VEHICLES) (UNITED KINGDOM) (JUN 1997)

(a) Pursuant to an agreement between the United States Government and Her Majesty’s (HM) Customs and Excise, fuels and lubricants used by passenger vehicles (except taxis) in the performance of this contract will be exempt from customs duty and value added tax. Therefore, the procedures outlined in HM Customs and Excise Notice No. 431B, August 1982, and any amendment thereto, shall be used to obtain relief from both customs duty and value added tax for fuel used under the contract. These procedures shall apply to both loaded and unloaded miles. The unit prices shall be based on the recoupment by the Contractor of customs duty in accordance with the following allowances:

(1) Vehicles (except taxis) with a seating capacity of less than 29, one gallon for every 27 miles.
(2) Vehicles with a seating capacity of 29–53, one gallon for every 13 miles.
(3) Vehicles with a seating capacity of 54 or more, one gallon for every 10 miles.

(b) In the event the mileage of any route is increased or decreased within 10 percent, resulting in no change in route price, the customs duty shall be reclaimed from HM Customs and Excise on actual mileage performed.

(End of clause)


252.229–7010 Relief from customs duty on fuel (United Kingdom).

As prescribed in 229.402–70(j), use the following clause:

RELIEF FROM CUSTOMS DUTY ON FUEL (UNITED KINGDOM) (JUN 1997)

(a) Pursuant to an agreement between the United States Government and Her Majesty’s (HM) Customs and Excise, it is possible to obtain relief from customs duty on fuels and lubricants used in support of certain contracts. If vehicle fuels and lubricants are used in support of this contract, the Contractor shall seek relief from customs duty in accordance with HM Customs Notice No. 431, February 1973, entitled “Relief from Customs Duty and/or Value Added Tax on United States Government Expenditures in the United Kingdom.” Application should be sent to the Contractor’s local Customs and Excise Office.

(b) Specific information should be included in the request for tax relief, such as the number of vehicles involved, types of vehicles, rating of vehicles, fuel consumption, estimated mileage per contract period, and any other information that will assist HM Customs and Excise in determining the amount of relief to be granted.

(c) Within 30 days after the award of this contract, the Contractor shall provide the Contracting Officer with evidence that an attempt to obtain relief within the time specified, the Contracting Officer may deduct from the contract price the amount of relief that would have been allowed if HM Customs and Excise had favorably considered the request for relief.

(d) The amount of any rebate granted by HM Customs and Excise shall be paid in full to the United States Government. Checks shall be made payable to the Treasurer of the United States and forwarded to the Administrative Contracting Officer.

(End of clause)


As prescribed in 229.170–4, use the following clause:
(a) Definition. Commodities, as used in this clause, means any materials, articles, supplies, goods, or equipment.

(b) Commodities acquired under this contract shall be exempt from all value added taxes and customs duties imposed by the recipient country. This exemption is in addition to any other tax exemption provided through separate agreements or other means.

(c) The Contractor shall inform the foreign government of the tax exemption, as documented in the Letter of Offer and Acceptance, country-to-country agreement, or interagency agreement.

(d) If the foreign government or entity nevertheless imposes taxes, the Contractor shall promptly notify the Contracting Officer and shall provide documentation showing that the foreign government was apprised of the tax exemption in accordance with paragraph (c) of this clause.

(e) The Contractor shall insert the substance of this clause, including this paragraph (e), in all subcontracts for commodities that exceed $500.

(End of clause)

[70 FR 57192, Sept. 30, 2005]

252.231–7000 Supplemental cost principles.

As prescribed in 231.100–70, use the following clause:

SUPPLEMENTAL COST PRINCIPLES (DEC 1991)

When the allowability of costs under this contract is determined in accordance with part 31 of the Federal Acquisition Regulation (FAR), allowability shall also be determined in accordance with part 231 of the Defense FAR Supplement, in effect on the date of this contract.

(End of clause)

252.232–7000 Advance payment pool.

As prescribed in 232.412–70(a), use the following clause:

ADVANCE PAYMENT POOL (DEC 1991)

(a) Notwithstanding any other provision of this contract, advance payments will be made for contract performance in accordance with the Determinations, Findings, and Authorization for Advance payment dated

(b) Payments made in accordance with this clause shall be governed by the terms and conditions of the Advance Payment Pool Agreement between the United States of America and (insert the name of the contractor). The Agreement is incorporated in the contract by reference.

(End of clause)

252.232–7001 Disposition of payments.

As prescribed in 232.412–70(b), use the following clause:

DISPOSITION OF PAYMENTS (DEC 1991)

Payment will be by a dual payee Treasury check made payable to the contractor or the (insert the name of the disbursing office in the advance payment pool agreement), and will be forwarded to that disbursing office for appropriate disposition.

(End of clause)


252.232–7002 Progress payments for foreign military sales acquisitions.

As prescribed in 232.502–4–70(a), use the following clause:

PROGRESS PAYMENTS FOR FOREIGN MILITARY SALES ACQUISITIONS (DEC 1991)

If this contract includes foreign military sales (FMS) requirements, the Contractor shall—

(a) Submit a separate progress payment request for each progress payment rate; and

(b) Submit a supporting schedule showing—

(1) The amount of each request distributed to each country’s requirements; and

(2) Total price per contract line item applicable to each separate progress payment rate.

(c) Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or U.S.);

(d) Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

(e) Distribute costs among contract line items and countries in a manner acceptable to the Administrative Contracting Officer.

(End of clause)

252.232–7003 Electronic submission of payment requests and receiving reports.

As prescribed in 232.7004, use the following clause:

487
ELECTRONIC SUBMISSION OF PAYMENT REQUESTS AND RECEIVING REPORTS (MAR 2008)

(a) Definitions. As used in this clause—
(1) Contract financing payment and invoice payment have the meanings given in section 32.001 of the Federal Acquisition Regulation.
(2) Electronic form means any automated system that transmits information electronically from the initiating system to all affected systems. Facsimile, e-mail, and scanned documents are not acceptable electronic forms for submission of payment requests. However, scanned documents are acceptable when they are part of a submission of a payment request made using Wide Area Workflow (WAWF) or another electronic form authorized by the Contracting Officer.
(3) Payment request means any request for contract financing payment or invoice payment submitted by the Contractor under this contract.
(b) Except as provided in paragraph (c) of this clause, the Contractor shall submit payment requests and receiving reports using WAWF, in one of the following electronic formats that WAWF accepts: Electronic Data Interchange, Secure File Transfer Protocol, or World Wide Web input. Information regarding WAWF is available on the Internet at https://wawf.eb.mil.
(c) The Contractor may submit a payment request and receiving report using other than WAWF only when—
(1) The Contracting Officer authorizes use of another electronic form. With such an authorization, the Contractor and the Contracting Officer shall agree to a plan, which shall include a timeline, specifying when the Contractor will transfer to WAWF;
(2) DoD is unable to receive a payment request or provide acceptance in electronic form;
(3) The Contracting Officer administering the contract for payment has determined, in writing, that electronic submission would be unduly burdensome to the Contractor. In such cases, the Contractor shall include a copy of the Contracting Officer’s determination with each request for payment; or
(4) DoD makes payment for commercial transportation services provided under a Government rate tender or a contract for transportation services using a DoD-approved electronic third party payment system or other exempted vendor payment/invoicing system (e.g., PowerTrack, Transportation Financial Management System, and Cargo and Billing System).
(d) The Contractor shall submit any non-electronic payment requests using the method or methods specified in Section G of the contract.
(e) In addition to the requirements of this clause, the Contractor shall meet the requirements of the appropriate payment clauses in this contract when submitting payments requests.

As described in 232.502–4–70(b), use the following clause:

DO D PROGRE S PAYMENT RATES (OCT 2001)

(a) If the contractor is a small business concern, the Progress Payments clause of this contract is modified to change each mention of the progress payment rate and liquidation rate (excepting paragraph (k), Limitations on Undefinitized Contract Actions) to 90 percent.
(b) If the contractor is a small disadvantaged business concern, the Progress Payments clause of this contract is modified to change each mention of the progress payment rate and liquidation rate (excepting paragraph (k), Limitations on Undefinitized Contract Actions) to 95 percent.

As described in 232.412–70(c), use the following clause:

REIMBURSEMENT OF SUBCONTRACTOR ADVANCE PAYMENTS—DO D PILOT MENTOR-PROTEGE PROGRAM (SEP 2001)

(a) The Government will reimburse the Contractor for any advance payments made by the Contractor, as a mentor firm, to a protege firm, pursuant to an approved mentor-protege agreement, provided—
(1) The Contractor’s subcontract with the protege firm includes a provision substantially the same as FAR 52.232–12, Advance Payments;
(2) The Contractor has administered the advance payments in accordance with the policies of FAR subpart 32.4; and
(3) The Contractor agrees that any financial loss resulting from the failure or inability of the protege firm to repay any undistributed advance payments is the sole financial responsibility of the Contractor.
(b) For a fixed price type contract, advance payments made to a protege firm shall be
Defense Acquisition Regulations System, DOD 252.232–7007

paid and administered as if there were 100 percent progress payments. The Contractor shall include as a separate attachment with each Standard Form (SF) 1443, Contractor’s Request for Progress Payment, a request for reimbursement of advance payments made to a protege firm. The attachment shall provide a separate calculation of lines 14a through 14e of SF 1443 for each protege, reflecting the status of advance payments made to that protege.

(b) For cost reimbursable, contracts, reimbursement of advance payments shall be made via public voucher. The Contractor shall show the amounts of advance payments made to each protege on the public voucher, in the form and detail directed by the cognizant contracting officer or contract auditor.

(End of clause)


252.232–7006 [Reserved]


As prescribed in 232.705–70, use the following clause:

LIMITATION OF GOVERNMENT’S OBLIGATION (MAY 2006)

(a) Contract line item(s) * through * are incrementally funded. For these item(s), the sum of $ * of the total price is presently available for payment and allotted to this contract. An allotment schedule is set forth in paragraph (j) of this clause.

(b) For item(s) identified in paragraph (a) of this clause, the Contractor agrees to perform up to the point at which the total amount payable by the Government, including reimbursement in the event of termination of those item(s) for the Government’s convenience, approximates the total amount currently allotted to the contract. The Contractor is not authorized to continue work on those item(s) beyond that point. The Government will not be obligated in any event to reimburse the Contractor in excess of the amount allotted to the contract for those item(s) regardless of anything to the contrary in the clause entitled “Termination for Convenience of the Government.” As used in this clause, the total amount payable by the Government in the event of termination of applicable contract line item(s) for convenience includes costs, profit, and estimated termination settlement costs for those item(s).

(c) Notwithstanding the dates specified in the allotment schedule in paragraph (j) of this clause, the Contractor will notify the Contracting Officer in writing at least ninety days prior to the date when, in the Contractor’s best judgment, the work will reach the point at which the total amount payable by the Government, including any cost for termination for convenience, will approximate 85 percent of the total amount then allotted to the contract for performance of the applicable item(s). The notification will state (1) the estimated date when that point will be reached and (2) an estimate of additional funding, if any, needed to continue performance of applicable line items up to the next scheduled date for allotment of funds identified in paragraph (j) of this clause, or to a mutually agreed upon substitute date. The notification will also advise the Contracting Officer of the estimated amount of additional funds that will be required for the timely performance of the item(s) funded pursuant to this clause, for a subsequent period as may be specified in the allotment schedule in paragraph (j) of this clause, or otherwise agreed to by the parties. If after such notification additional funds are not allotted by the date identified in the Contractor’s notification, or by an agreed substitute date, the Contracting Officer will terminate any item(s) for which additional funds have not been allotted, pursuant to the clause of this contract entitled “Termination for Convenience of the Government.”

(d) When additional funds are allotted for continued performance of the contract line item(s) identified in paragraph (a) of this clause, the parties will agree as to the period of contract performance which will be covered by the funds. The provisions of paragraph (b) through (d) of this clause will apply in like manner to the additional allotted funds and agreed substitute date, and the contract will be modified accordingly.

(e) If, solely by reason of failure of the Government to allot additional funds, by the dates indicated below, in amounts sufficient for timely performance of the contract line item(s) identified in paragraph (a) of this clause, the Contractor incurs additional costs or is delayed in the performance of the work under this contract and if additional funds are allotted, an equitable adjustment will be made in the price or prices (including appropriate target, billing, and ceiling prices where applicable) of the item(s), or in the time of delivery, or both. Failure to agree to any such equitable adjustment hereunder will be a dispute concerning a question of fact within the meaning of the clause entitled “Disputes.”

(f) The Government may at any time prior to termination allot additional funds for the performance of the contract line item(s) identified in paragraph (a) of this clause.

(g) The termination provisions of this clause do not limit the rights of the Government under the clause entitled “Default.” The provisions of this clause are limited to
the work and allotment of funds for the contract line item(s) set forth in paragraph (a) of this clause. This clause no longer applies once the contract is fully funded except with regard to the rights or obligations of the parties concerning equitable adjustments negotiated under paragraphs (d) or (e) of this clause.

(b) Nothing in this clause affects the right of the Government to terminate this contract pursuant to the clause of this contract entitled “Termination for Convenience of the Government.”

(i) Nothing in this clause shall be construed as authorization of voluntary services whose acceptance is otherwise prohibited under 31 U.S.C. 1342.

(j) The parties contemplate that the Government will allot funds to this contract in accordance with the following schedule:

| On execution of contract | $_____ |
| (month) (day), (year) | $_____ |
| (month) (day), (year) | $_____ |
| (month) (day), (year) | $_____ |

(End of clause)

Alternate I (MAY 2006). If only one line item will be incrementally funded, substitute the following paragraph (a) for paragraph (a) of the basic clause.

(a) Contract line item $____ is incrementally funded. The sum of $_____ * is presently available for payment and allotted to this contract. An allotment schedule is contained in paragraph (j) of this clause.

*To be inserted after negotiation.

[58 FR 46093, Sept. 1, 1993, as amended at 71 FR 18673, Apr. 12, 2006; 71 FR 27644, May 12, 2006]

252.232–7008 Assignment of claims (overseas).

As prescribed in 232.806(a)(1), use the following clause:

ASSIGNMENT OF CLAIMS (OVERSEAS) (JUN 1997)

(a) No claims for monies due, or to become due, shall be assigned by the Contractor unless—

(1) Approved in writing by the Contracting Officer;

(2) Made in accordance with the laws and regulations of the United States of America; and

(3) Permitted by the laws and regulations of the Contractor’s country.

(b) In no event shall copies of this contract of any plans, specifications, or other similar documents relating to work under this contract, if marked “Top Secret,” “Secret,” or “Confidential” be furnished to any assignee of any claim arising under this contract or to any other person not entitled to receive such documents. However, a copy of any part or all of this contract so marked may be furnished, or any information contained herein may be disclosed, to such assignee upon the Contracting Officer’s prior written authorization.

(c) Any assignment under this contract shall cover all amounts payable under this contract and not already paid, and shall not be made to more than one party, except that any such assignment may be made to one party as agent or trustee for two or more parties participating in such financing. On each invoice or voucher submitted for payment under this contract to which any assignment applies, and for which direct payment thereof is to be made to an assignee, the Contractor shall—

(1) Identify the assignee by name and complete address; and

(2) Acknowledge the validity of the assignment and the right of the named assignee to receive payment in the amount invoiced or vouchered.

(End of clause)


252.232–7009 Mandatory payment by Governmentwide commercial purchase card.

As prescribed in 232.1110, use the following clause:

MANDATORY PAYMENT BY GOVERNMENTWIDE COMMERCIAL PURCHASE CARD (DEC 2006)

The Contractor agrees to accept the Governmentwide commercial purchase card as the method of payment for orders or calls valued at or below the micro-purchase threshold in Part 2 of the Federal Acquisition Regulation, under this contract or agreement.

(End of clause)


As prescribed in 232.7102, use the following clause:

LEVIES ON CONTRACT PAYMENTS (DEC 2006)

(a) 26 U.S.C. 6331(h) authorizes the Internal Revenue Service (IRS) to continuously levy up to 100 percent of contract payments, up to the amount of tax debt.

(b) When a levy is imposed on a payment under this contract and the Contractor believes that the levy may result in an inability to perform the contract, the Contractor...
shall promptly notify the Procuring Contracting Officer in writing, with a copy to the Administrative Contracting Officer, and shall provide—

(1) The total dollar amount of the levy;

(2) A statement that the Contractor believes that the levy may result in an inability to perform the contract, including rationale and adequate supporting documentation; and

(3) Advice as to whether the inability to perform may adversely affect national security, including rationale and adequate supporting documentation.

(c) DoD shall promptly review the Contractor’s assessment, and the Procuring Contracting Officer shall provide a written notification to the Contractor including—

(1) A statement as to whether DoD agrees that the levy may result in an inability to perform the contract; and

(2)(i) If the levy may result in an inability to perform the contract and the lack of performance will adversely affect national security, the total amount of the monies collected that should be returned to the Contractor; or

(ii) If the levy may result in an inability to perform the contract but will not impact national security, a recommendation that the Contractor promptly notify the IRS to attempt to resolve the tax situation.

(d) Any DoD determination under this clause is not subject to appeal under the Contract Disputes Act.

(End of clause)


As prescribed in section 232.908, use the following clause:

PAGMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS (JUL 2010)

(a) Definitions of pertinent terms are set forth in sections 2.101, 32.001, and 32.902 of the Federal Acquisition Regulation.

(b) Notwithstanding any other payment clause in this contract, the Government will make invoice payments under the terms and conditions specified in this clause. The Government considers payment as being made on the day a check is dated or the date of an electronic funds transfer.

(c) Invoice payments.

(1) Due date.

(2) Payment will be made as soon as possible once a proper invoice is received and matched with the contract and the receiving/acceptance report.

(3) Payment will be made as soon as possible once a proper invoice is received and matched with the contract and the receiving/acceptance report.

(ii) If the contract does not require submission of an invoice for payment (e.g., periodic lease payments), the due date will be as specified in the contract.

(2) Contractor’s invoice. The Contractor shall prepare and submit invoices to the designated billing office specified in the contract. A proper invoice should include the items listed in paragraphs (c)(2)(i) through (c)(2)(x) of this clause.

(i) Name and address of the Contractor.

(ii) Invoice date and invoice number. (The Contractor should date invoices as close as possible to the date of the mailing or transmission.)

(iii) Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).

(iv) Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.

(v) Shipping and payment terms (e.g., shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.

(vi) Name and address of Contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).

(vii) Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice.

(viii) Taxpayer Identification Number (when required). The taxpayer identification number is required for all payees subject to the U.S. Internal Revenue Code.

(ix) Electronic funds transfer banking information.

(A) The Contractor shall include electronic funds transfer banking information on the invoice only if required elsewhere in this contract.

(B) If electronic funds transfer banking information is not required to be on the invoice, in order for the invoice to be a proper invoice, the Contractor shall have submitted correct electronic funds transfer banking information in accordance with the applicable solicitation provision (e.g., 52.232–38, Submission of Electronic Funds Transfer Information with Offer), contract clause (e.g., 52.232–33, Payment by Electronic Funds Transfer—Central Contractor Registration, or 52.232–34, Payment by Electronic Funds Transfer—Other Than Central Contractor Registration), or applicable agency procedures.

(C) Electronic funds transfer banking information is not required if the Government waived the requirement to pay by electronic funds transfer.

(x) Any other information or documentation required by the contract (e.g., evidence of shipment).
252.233–7000

(3) Discounts for prompt payment. The designated payment office will take cost-effective discounts if the payment is made within the discount terms of the contract.

(4) Contract financing payment. If this contract provides for contract financing, the Government will make contract financing payments in accordance with the applicable contract financing clause.

(5) Overpayments. If the Contractor becomes aware of a duplicate contract financing or invoice payment or that the Government has otherwise overpaid on a contract financing or invoice payment, the Contractor shall—

(i) Remit the overpayment amount to the payment office cited in the contract along with a description of the overpayment, including the—

(A) Circumstances of the overpayment (e.g., duplicate payment, erroneous payment, liquidation errors, date(s) of overpayment);

(B) Affected contract number and delivery order number, if applicable;

(C) Affected contract line item or subline item, if applicable; and

(D) Contractor point of contact; and

(ii) Provide a copy of the remittance and supporting documentation to the Contracting Officer.

(d) This clause is applicable until otherwise notified by the Contracting Officer. Upon notification by issuance of a contract modification, the appropriate FAR Prompt Payment clause in the contract becomes applicable.

(End of clause)

[75 FR 40714, July 13, 2010]

252.233–7000 [Reserved]

252.233–7001 Choice of law (overseas).

As prescribed in 233.215–70, use the following clause:

**Choice of law (overseas) (JUN 1997)**

This contract shall be construed and interpreted in accordance with the substantive laws of the United States of America. By the execution of this contract, the Contractor expressly agrees to waive any rights to invoke the jurisdiction of local national courts where this contract is performed and agrees to accept the exclusive jurisdiction of the United States Armed Services Board of Contract Appeals and the United States Court of Federal Claims for hearing and determination of any and all disputes that may arise under the Disputes clause of this contract.

(End of clause)

[82 FR 34135, June 24, 1997]


As prescribed in 234.203(1), use the following provision:

**Notice of Earned Value Management System (APR 2008)**

(a) If the offeror submits a proposal in the amount of $50,000,000 or more—

(1) The offeror shall provide documentation that the Cognizant Federal Agency (CFA) has determined that the proposed Earned Value Management System (EVMS) complies with the EVMS guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA–748) (current version at time of solicitation).

(i) The offeror shall—

(A) Describe the EVMS the offeror intends to use in performance of the contract, and how the proposed EVMS complies with the EVMS guidelines in ANSI/EIA–748;

(B) Distinguish between the offeror’s existing management system and modifications proposed to meet the EVMS guidelines;

(C) Describe the management system and its application in terms of the EVMS guidelines;

(D) Describe the proposed procedure for administration of the EVMS guidelines as applied to subcontractors; and

(E) Describe the process the offeror will use to determine subcontractor compliance with ANSI/EIA–748.

(ii) The offeror shall provide information and assistance as required by the Contracting Officer to support review of the plan.

(iii) The offeror’s EVMS plan must provide milestones that indicate when the offeror anticipates that the EVMS will be compliant with the guidelines in ANSI/EIA–748.

(b) If the offeror submits a proposal in an amount less than $50,000,000—

(1) The offeror shall submit a written description of the management procedures it will use and maintain in the performance of any resultant contract to comply with the requirements of the Earned Value Management System clause of the contract. The description shall include—

(i) A matrix that correlates each guideline in ANSI/EIA–748 (current version at time of solicitation) to the corresponding process in the offeror’s written management procedures; and
(1) The process the offeror will use to determine subcontractor compliance with ANSI/EIA–748.

(2) If the offeror proposes to use an EVMS that has been determined by the CFA to be in compliance with the EVMS guidelines in ANSI/EIA–748, the offeror may submit a copy of the documentation of such determination instead of the written description required by paragraph (b)(1) of this provision.

(c) The offeror shall identify the subcontractors (or the subcontracted effort if subcontractors have not been selected) to whom the EVMS requirements will apply. The offeror and the Government shall agree to the subcontractors or the subcontracted effort selected for application of the EVMS requirements. The offeror shall be responsible for ensuring that the selected subcontractors comply with the requirements of the Earned Value Management System clause of the contract.

(End of provision)

[73 FR 21848, Apr. 23, 2008]

252.234–7002 Earned Value Management System

As prescribed in 234.203(2), use the following clause:

EARNED VALUE MANAGEMENT SYSTEM (MAY 2011)

(a) Definitions. As used in this clause—

Acceptable earned value management system means an earned value management system that generally complies with system criteria in paragraph (b) of this clause.

Earned value management system means an earned value management system that complies with the earned value management system guidelines in the ANSI/EIA–748.

Significant deficiency means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) System criteria. In the performance of this contract, the Contractor shall use—

(1) An Earned Value Management System (EVMS) that complies with the EVMS guidelines in the American National Standards Institute/Electronic Industries Alliance Standards 748, Earned Value Management Systems (ANSI/EIA–748); and

(2) Management procedures that provide for generation of timely, reliable, and verifiable information for the Contract Performance Report (CPR) and the Integrated Master Schedule (IMS) required by the CPR and IMS data items of this contract.

(c) If this contract has a value of $50 million or more, the Contractor shall use an EVMS that has been determined to be acceptable by the Cognizant Federal Agency (CFA). If, at the time of award, the Contractor’s EVMS has not been determined by the CFA to be in compliance with the EVMS guidelines as stated in paragraph (b)(1) of this clause, the Contractor shall apply its current system to the contract and shall take necessary actions to meet the milestones in the Contractor’s EVMS plan.

(d) If this contract has a value of less than $50 million, the Government will not make a formal determination that the Contractor’s EVMS complies with the EVMS guidelines in ANSI/EIA–748 with respect to the contract. The use of the Contractor’s EVMS for this contract does not imply a Government determination of the Contractor’s compliance with the EVMS guidelines in ANSI/EIA–748 for application to future contracts. The Government will allow the use of a Contractor’s EVMS that has been formally reviewed and determined by the CFA to be in compliance with the EVMS guidelines in ANSI/EIA–748.

(e) The Contractor shall submit notification of any proposed substantive changes to the EVMS procedures and the impact of those changes to the CFA. If this contract has a value of $50 million or more, unless a waiver is granted by the CFA, any EVMS changes proposed by the Contractor require approval of the CFA prior to implementation. The CFA will advise the Contractor of the acceptability of such changes as soon as practicable (generally within 30 calendar days) after receipt of the Contractor’s notice of proposed changes. If the CFA waives the advance approval requirements, the Contractor shall disclose EVMS changes to the CFA at least 14 calendar days prior to the effective date of implementation.

(f) The Government will schedule integrated baseline reviews as early as practicable, and the review process will be conducted not later than 180 calendar days after—

(1) Contract award;

(2) The exercise of significant contract options; and

(3) The incorporation of major modifications.

During such reviews, the Government and the Contractor will jointly assess the Contractor’s baseline to be used for performance measurement to ensure complete coverage of the statement of work, logical scheduling of the work activities, adequate resourcing, and identification of inherent risks.

(g) The Contractor shall provide access to all pertinent records and data requested by the Contracting Officer or duly authorized representatives as necessary to permit Government surveillance to ensure that the EVMS complies, and continues to comply, with the performance criteria referenced in paragraph (b) of this clause.
(h) When indicated by contract performance, the Contractor shall submit a request for approval to initiate an over-target baseline or over-target schedule to the Contracting Officer. The request shall include a top-level projection of cost and/or schedule growth, a determination of whether or not performance variances will be retained, and a schedule of implementation for the rebaselining. The Government will acknowledge receipt of the request in a timely manner (generally within 30 calendar days).

(i) Significant deficiencies. (1) The Contracting Officer will provide an initial determination to the Contractor, in writing, on any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Contractor to understand the deficiency.

(2) The Contractor shall respond within 30 days to a written initial determination from the Contracting Officer that identifies significant deficiencies in the Contractor’s EVMS. If the Contractor disagrees with the initial determination, the Contractor shall, in writing, state, in writing, its rationale for disagreeing.

(3) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the Contracting Officer’s final determination concerning—

(i) Remaining significant deficiencies;

(ii) The adequacy of any proposed or completed corrective action;

(iii) System noncompliance, when the Contractor’s existing EVMS fails to comply with the earned value management system guidelines in the ANSI/EIA–748, and

(iv) System disapproval, if initial EVMS validation is not successfully completed within the timeframe approved by the Contracting Officer, or if the Contracting Officer determines that the Contractor’s earned value management system contains one or more significant deficiencies in high-risk guidelines in ANSI/EIA–748 standards (guidelines 1, 3, 6, 7, 8, 9, 10, 12, 18, 21, 23, 26, 27, 28, 30, or 32). When the Contracting Officer determines that the existing earned value management system contains one or more significant deficiencies in one or more of the remaining 16 guidelines in ANSI/EIA–748 standards, the contracting officer will use discretion to disapprove the system based on input received from functional specialists and the auditor.

(4) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.

(j) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor’s EVMS, and the contract includes the clause at 252.234–7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(k) With the exception of paragraphs (i) and (j) of this clause, the Contractor shall require its subcontractors to comply with EVMS requirements as follows:

(1) For subcontracts valued at $50 million or more, the following subcontractors shall comply with the requirements of this clause: [Contracting Officer to insert names of subcontractors (or subcontracted effort if subcontractors have not been selected) designated for application of the EVMS requirements of this clause.]

(2) For subcontracts valued at less than $50 million, the following subcontractors shall comply with the requirements of this clause, excluding the requirements of paragraph (c) of this clause: [Contracting Officer to insert names of subcontractors (or subcontracted effort if subcontractors have not been selected) designated for application of the EVMS requirements of this clause.]

(End of clause)

[76 FR 28673, May 18, 2011]

252.234–7003 Notice of Cost and Software Data Reporting System. (Nov 2010)

As prescribed in 234–TL01(a)(1), use the following provision:

NOTICE OF COST AND SOFTWARE DATA REPORTING SYSTEM (NOV 2010)

(a) This solicitation includes—

(1) The Government-approved cost and software data reporting (CSDR) plan for the contract, DD Form 2794; and

(2) The related Resource Distribution Table.

(b) As part of its proposal, the offeror shall—

(1) Describe the process to be used to satisfy the requirements of the DoD 5000.04–M–1, CSDR Manual, and the Government-approved CSDR plan for the proposed contract;

(2) Demonstrate how contractor cost and data reporting (CCDR) will be based, to the maximum extent possible, upon actual cost transactions and not cost allocations;
(3) Demonstrate how the data from its accounting system will be mapped into the standard reporting categories required in the CCDR data item descriptions;
(4) Describe how recurring and non-recurring costs will be segregated;
(5) Provide comments on the adequacy of the CSDR contract plan and related Resource Distribution Table; and
(6) Submit the DD Form 1921, Cost Data Summary Report, and DD Form 1921–1, Functional Cost-Hour Report, with its pricing proposal.

(c) CSDR reporting will be required for subcontractors at any tier with a subcontract that exceeds $50 million. The offeror shall identify, by providing comments on the Resource Distribution Table, the subcontractors, or, if the subcontractors have not been selected, the subcontracted effort in this category.

(End of provision)

Alternate I (NOV 2010). As prescribed in 234.7101(a)(2), substitute the following paragraph (c) for paragraph (c) of the basic provision:

(c) CSDR reporting will be required for subcontractors identified in the CSDR contract plan as requiring such reporting. The offeror shall identify, by providing comments on the Resource Distribution Table, the subcontractors, or, if the subcontractors have not been selected, the subcontracted effort.

[75 FR 71562, Nov. 24, 2010]

252.234–7004 Cost and Software Data Reporting System. (NOV 2010)

As prescribed in 234.7101(b)(1), use the following clause:

COST AND SOFTWARE DATA REPORTING SYSTEM (NOV 2010)

(a) In the performance of this contract, the Contractor shall use—
(1) A documented standard cost and software data reporting (CSDR) process that satisfies the guidelines contained in the DoD 5000.04–M–1, CSDR Manual;
(2) Management procedures that provide for generation of timely and reliable information for the contractor cost data reports (CCDRs) and software resources data reports (SRDRs) required by the CCDR and SRDR data items of this contract; and
(3) The Government-approved CSDR plan for this contract, DD Form 2794, and the related Resource Distribution Table as the basis for reporting in accordance with the required CSDR data item descriptions.

(b) The Contractor shall require CSDR reporting from subcontractors at any tier with a subcontract that exceeds $50 million. If, for subcontracts that exceed $50 million, the Contractor changes subcontractors or makes new subcontract awards, the Contractor shall notify the Government.

(End of clause)

Alternate I (NOV 2010). As prescribed in 234.7101(b)(2), substitute the following paragraph (b) for paragraph (b) of the basic clause:

(b) The Contractor shall require CSDR reporting from subcontractors identified in the CSDR contract plan as requiring such reporting. If the Contractor changes subcontractors or makes new awards for selected subcontract effort, the Contractor shall notify the Government.

[75 FR 71562, Nov. 24, 2010]


As prescribed in 235.070–3, use the following clause:

INDEMNIFICATION UNDER 10 U.S.C. 2354—FIXED PRICE (DEC 1991)

(a) This clause provides for indemnification under 10 U.S.C. 2354 if the Contractor meets all the terms and conditions of this clause.

(b) Claims, losses, and damages covered—
(1) Claims by third persons for death, bodily injury, sickness, or disease, or the loss, damage, or lost use of property. Claims include those for reasonable expenses of litigation or settlement. The term third persons includes employees of the contractor;
(2) The loss, damage, and lost use of the Contractor's property, but excluding lost profit; and
(3) Loss, damage, or lost use of the Government's property.

(c) The claim, loss, or damage—
(1) Must arise from the direct performance of this contract;
(2) Must not be compensated by insurance or other means, or be within deductible amounts of the Contractor's insurance;
(3) Must result from an unusually hazardous risk as specifically defined in the contract;
(4) Must not result from willful misconduct or lack of good faith on the part of any of the Contractor's directors or officers, managers, superintendents, or other equivalent representatives who have supervision or direction of—
(i) All or substantially all of the Contractor's business;
(ii) All or substantially all of the Contractor's operations at any one plant or separate location where this contract is being performed; or
(ii) A separate and complete major industrial operation connected with the performance of this contract;

(5) Must not be a liability assumed under any contract or agreement, including subcontract contracts covered by paragraph (h) of this clause), unless the Contracting Officer (or in contracts with the Department of the Navy, the Department) specifically approved the assumption of liability; and

(6) Must be certified as just and reasonable by the Secretary of the department or designated representative.

(d) The Contractor shall buy and maintain, to the extent available, insurance against unusually hazardous risks in the form, amount, period(s) of time, at the rate(s), and with such insurers, as the Contracting Officer (or, for Navy contracts, the Department) may from time to time require and approve. If the cost of this insurance is higher than the cost of the insurance the Contractor had as of the date of the contract, the Government shall reimburse the Contractor for the difference in cost, as long as it is properly allocable to this contract and is not included in the contract price. The Government shall not be liable for claims, loss, or damage if insurance was available and is either required or approved under this paragraph.

(e) A reduction of the insurance coverage maintained by the Contractor on the date of the execution of this contract shall not increase the Government’s liability under this clause unless the Contracting Officer consents, and the contract price is equitably adjusted, if appropriate, to reflect the Contractor’s consideration for the Government’s assumption of increased liability.

(f) Notice. The Contractor shall—

(1) Promptly notify the Contracting Officer of any occurrence, action, or claim that might trigger the Government’s liability under this clause;

(2) Furnish the proof or evidence of any claim, loss, or damage in the form and manner that the Government requires; and

(3) Immediately provide copies of all pertinent papers that the Contractor receives or has received.

(g) The Government may direct, participate in, and supervise the settlement or defense of the claim or action. The Contractor shall comply with the Government’s directions and execute any authorizations required.

(h) Flowdown. The Government shall indemnify the Contractor if the Contractor has an obligation to indemnify a subcontractor under any subcontract at any tier under this contract for the unusually hazardous risk identified in this contract only if—

(1) The Contracting Officer gave prior written approval for the Contractor to provide in a subcontract for the Contractor to indemnify the subcontractor for unusually hazardous risks defined in this contract;

(2) The Contracting Officer approved those indemnification provisions;

(3) The subcontract indemnification provisions entitle the Contractor, or the Government, or both, to direct, participate in, and supervise the settlement or defense of relevant actions and claims; and

(4) The subcontract provides the same rights and duties, the same provisions for notice, furnishing of papers and the like, between the Contractor and the subcontractor, as exist between the Government and the Contractor under this clause.

(i) The Government may discharge its obligations under paragraph (h) of this clause by making payments directly to subcontractors or to persons to whom the subcontractors may be liable.

(j) The rights and obligations of the parties under this clause shall survive the termination, expiration, or completion of this contract.

(End of clause)


As prescribed in 235.070–3, use the following clause:


(a) This clause provides for indemnification under 10 U.S.C. 2354 if the Contractor meets all the terms and conditions of this clause.

(b) Claims, losses, and damages covered—

(1) Claims by third persons for death, bodily injury, sickness, or disease, or the loss, damage, or lost use of property. Claims include those for reasonable expenses of litigation or settlement. The term “third persons” includes employees of the Contractor; (2) The loss, damage, and lost use of the Contractor’s property, but excluding lost profit; and

(3) Loss, damage, or lost use of the Government’s property.

(c) The claim, loss, or damage—

(1) Must arise from the direct performance of this contract;

(2) Must not be compensated by insurance or other means, or be within deductible amounts of the Contractor’s insurance;

(3) Must result from an unusually hazardous risk as specifically defined in the contract;

(4) Must not result from willful misconduct or lack of good faith on the part of any of the Contractor’s directors or officers, managers, superintendents, or other equivalent representatives who have supervision or direction of—

(1) All or substantially all of the Contractor’s business;
(ii) All or substantially all of the Contractor's operations at any one plant or separate location where this contract is being performed; or

(g) A separate and complete major industrial operation connected with the performance of this contract;

(b) The Contractor shall acquire animals under any subcontract at any tier under this contract for the unusually hazardous risk identified in this contract only if—

(1) The Contracting Officer gave prior written approval for the Contractor to provide in a subcontract for the Contractor to indemnify the subcontractor for unusually hazardous risks defined in this contract;

(2) The Contracting Officer approved those indemnification provisions;

(3) The subcontract indemnification provisions entitle the Contractor, or the Government, or both, to direct, participate in, and supervise the settlement or defense of relevant actions and claims; and

(4) The subcontract provides the same rights and duties, the same provisions for notice, furnishing of paper and the like, between the Contractor and the subcontractor, as exist between the Government and the Contractor under this clause.

(i) The Government may discharge its obligations under paragraph (i) of this clause by making payments directly to subcontractors or to persons to whom the subcontractors may be liable.

(k) The rights and obligations of the parties under this clause shall survive the termination, expiration, or completion of this contract.

(End of clause)

252.235-7002 Animal welfare.

As prescribed in 235.072(a), use the following clause:

ANIMAL WELFARE (DEC 1991)

(a) The Contractor shall register its research facility with the Secretary of Agriculture in accordance with 7 U.S.C. 2316 and 9 CFR subpart C, and §2.30, and furnish evidence of such registration to the Contracting Officer before beginning work under this contract.

(b) The Contractor shall acquire animals only from dealers licensed by the Secretary of Agriculture under 7 U.S.C. 2133 and 9 CFR subpart A. §§2.1 through 2.11, or from sources that are exempt from licensing under those sections.

(c) The Contractor agrees that the care and use of animals will conform with the pertinent laws of the United States and regulations of the Department of Agriculture (see 7 U.S.C. 2131 et seq. and 9 CFR subchapter A, parts 1 through 4).

(d) The Contracting Officer may immediately suspend, in whole or in part, work and further payments under this contract for failure to comply with the requirements of paragraphs (a) through (c) of this clause.

(1) The suspension will stay in effect until the Contractor complies with the requirements.

(2) Failure to complete corrective action within the time specified by the Contracting Officer may result in termination of this contract and removal of the Contractor's name from the list of contractors with approved Public Health Service Welfare Assurances.
252.235–7003  
(e) The Contractor may request registration of its facility and a current listing of licensed dealers from the Regional Office of the Animal and Plant Health Inspection Service (APHIS), United States Department of Agriculture (USDA), for the region in which its research facility is located. The location of the appropriate APHIS regional office, as well as information concerning this program may be obtained by contacting the Senior Staff Officer, Animal Care Staff, USDA-APHIS, Federal Center Building, Hyattsville, MD 20782.

(f) The Contractor shall include this clause, including this paragraph (f), in all subcontracts requiring the development, production, construction, testing, or operation of a device for which a radio frequency authorization is required.

(End of clause)


252.235–7003  Frequency authorization.

As prescribed in 235.072(b), use the following clause:

FREQUENCY AUTHORIZATION (DEC 1991)

(a) The Contractor shall obtain authorization for radio frequencies required in support of this contract.

(b) For any experimental, developmental, or operational equipment for which the appropriate frequency allocation has not been made, the Contractor shall provide the technical operating characteristics of the proposed electromagnetic radiating device to the Contracting Officer during the initial planning, experimental, or developmental phase of contract performance.

(c) The Contractor shall include this clause, including this paragraph (d), in all subcontracts requiring the development, production, construction, testing, or operation of a device for which a radio frequency authorization is required.

(End of clause)

Alternate I (AUG 2008). Substitute the following paragraph (c) for paragraph (c) of the basic clause if agency procedures authorize use of DD Form 1494, Application for Equipment Frequency Allocation:

(c) The Contractor shall use DD Form 1494, Application for Equipment Frequency Allocation, to obtain radio frequency authorization.


As prescribed in 235.072(e), use the following clause:

PROTECTION OF HUMAN SUBJECTS (JUL 2009)

(a) Definitions. As used in this clause—

(1) *Assurance of compliance* means a written assurance that an institution will comply with requirements of 32 CFR Part 219, as well as the terms of the assurance, which the Human Research Protection Official determines to be appropriate for the research supported by the Department of Defense (DoD) component.

(2) *Human Research Protection Official (HRPO)* means the individual designated by the head of the applicable DoD component and identified in the component’s Human Research Protection Management Plan as the official who is responsible for the oversight and execution of the requirements of this clause, although some DoD components may use a different title for this position.

(3) *Human subject* means a living individual about whom an investigator (whether professional or student) conducting research obtains data through intervention or interaction with the individual, or identifiable private information (32 CFR 219.102(f)). For example, this could include the use of human organs, tissue, and body fluids from individually identifiable living human subjects as well as graphic, written, or recorded information derived from individually identifiable living human subjects.

(4) *Institution* means any public or private entity or agency (32 CFR 219.102(b)).

(5) *Institutional Review Board (IRB)* means a board established for the purposes expressed in 32 CFR Part 219 (32 CFR 219.102(g)).

(6) *IRB approval* means the determination of the IRB that the research has been reviewed and may be conducted at an institution within the constraints set forth by the IRB and by other institutional and Federal requirements (32 CFR 219.102(h)).

(7) *Research* means a systematic investigation, including research, development, testing, and evaluation, designed to develop or contribute to generalizable knowledge. Activities that meet this definition constitute research for purposes of 32 CFR Part 219, whether or not they are conducted or supported under a program that is considered research for other purposes. For example, some demonstration and service programs may include research activities (32 CFR 219.102(d)).

(7) *Research* means a systematic investigation, including research, development, testing, and evaluation, designed to develop or contribute to generalizable knowledge. Activities that meet this definition constitute research for purposes of 32 CFR Part 219, whether or not they are conducted or supported under a program that is considered research for other purposes. For example, some demonstration and service programs may include research activities (32 CFR 219.102(d)).

(b) The Contractor shall oversee the execution of the research to ensure compliance with this clause. The Contractor shall comply fully with 32 CFR Part 219 and DoD Directive 3216.02, applicable DoD component policies, 10 U.S.C. 980, and, when applicable,
Food and Drug Administration policies and regulations.

(c) The Contractor shall not commence performance of research involving human subjects that is covered under 32 CFR Part 219 or that meets exemption criteria under 32 CFR 219.101(b), or expend funding on such effort, until and unless the conditions of either the following paragraph (c)(1) or (c)(2) have been met:

(1) The Contractor furnishes to the HRPO, with a copy to the Contracting Officer, an assurance of compliance and IRB approval and receives notification from the Contracting Officer that the HRPO has approved the assurance as appropriate for the research under the Statement of Work and also that the HRPO has reviewed the protocol and accepted the IRB approval for compliance with the DoD component policies. The Contractor may furnish evidence of an existing assurance of compliance for acceptance by the HRPO, if an appropriate assurance has been approved in connection with previous research. The Contractor shall notify the Contracting Officer immediately of any suspensions or terminations of the assurance.

(2) The Contractor furnishes to the HRPO, with a copy to the Contracting Officer, a determination that the human research proposed meets exemption criteria in 32 CFR 219.101(b) and receives written notification from the Contracting Officer that the exemption is determined acceptable. The determination shall include citation of the exemption category under 32 CFR 219.101(b) and a rationale statement. In the event of a disagreement regarding the Contractor’s furnished exemption determination, the HRPO retains final judgment on what research activities or classes of research are covered or are exempt under the contract.

(d) DoD staff, consultants, and advisory groups may independently review and inspect the Contractor’s research and research procedures involving human subjects and, based on such findings, DoD may prohibit research that presents unacceptable hazards or otherwise fails to comply with DoD procedures.

(e) Failure of the Contractor to comply with the requirements of this clause will result in the issuance of a stop-work order under Federal Acquisition Regulation clause 252.235-7005 to immediately suspend, in whole or in part, work and further payment under this contract, or will result in other issuance of suspension of work and further payment for as long as determined necessary at the discretion of the Contracting Officer.

(f) The Contractor shall include the substance of this clause, including this paragraph (f), in all subcontracts that may include research involving human subjects in accordance with 32 CFR Part 219, DoD Directive 2218.02, and 10 U.S.C. 980, including research that meets exemption criteria under 32 CFR 219.101(b). This clause does not apply to subcontracts that involve only the use of cadaver materials.

(End of clause)

[74 FR 37648, July 29, 2009]

252.235–7005—252.235–7009 [Reserved]

252.235–7010 Acknowledgment of support and disclaimer.

As prescribed in 235.072(c), use the following clause:

ACKNOWLEDGMENT OF SUPPORT AND DISCLAIMER (MAY 1995)

(a) The Contractor shall include an acknowledgment of the Government’s support in the publication of any material based on or developed under this contract, stated in the following terms: This material is based upon work supported by the (name of contracting agency(ies)) under Contract No. (Contracting agency(ies) contract number(s)).

(b) All material, except scientific articles or papers published in scientific journals, must, in addition to any notices or disclaimers by the Contractor, also contain the following disclaimer: Any opinions, findings and conclusions or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the (name of contracting agency(ies)).

(End of clause)

[60 FR 29503, June 5, 1995, as amended at 73 FR 42279, July 21, 2008]

252.235–7011 Final scientific or technical report.

As prescribed in 235.072(d), use the following clause:

FINAL SCIENTIFIC OR TECHNICAL REPORT (NOV 2004)

The Contractor shall—

(a) Submit two copies of the approved scientific or technical report delivered under this contract to the Defense Technical Information Center, Attn: DTIC-O, 8725 John J. Kingman Road, Fort Belvoir, VA 22060–6218;

(b) Include a completed Standard Form 298, Report Documentation Page, with each copy of the report; and

(c) For submission of reports in other than paper copy, contact the Defense Technical Information Center or follow the instructions at http://www.dtic.mil.
252.236–7000 Modification proposals—price breakdown.

As prescribed in 236.570(a), use the following clause:

MODIFICATION PROPOSALS—PRICE BREAKDOWN (DEC 1991)

(a) The Contractor shall furnish a price breakdown, itemized as required and within the time specified by the Contracting Officer, with any proposal for a contract modification.

(b) The price breakdown—
   (1) Must include sufficient detail to permit an analysis of profit, and of all costs for—
      (i) Material;
      (ii) Labor;
      (iii) Equipment;
      (iv) Subcontracts; and
      (v) Overhead; and
   (2) Must cover all work involved in the modification, whether the work was deleted, added, or changed.

(c) The Contractor shall provide similar price breakdowns to support any amounts claimed for subcontracts.

(d) The Contractor’s proposal shall include a justification for any time extension proposed.

(End of clause)

252.236–7001 Contract drawings and specifications.

As prescribed in 236.570(a), use the following clause:

CONTRACT DRAWINGS AND SPECIFICATIONS (AUG 2000)

(a) The Government will provide to the Contractor, without charge, one set of contract drawings and specifications, except publications incorporated into the technical provisions by reference, in electronic or paper media as chosen by the Contracting Officer.

(b) The Contractor shall—
   (1) Check all drawings furnished immediately upon receipt;
   (2) Compare all drawings and verify the figures before laying out the work;
   (3) Promptly notify the Contracting Officer of any discrepancies;
   (4) Be responsible for any errors that might have been avoided by complying with this paragraph (b); and
   (5) Reproduce and print contract drawings and specifications as needed.

(c) In general—
   (1) Large-scale drawings shall govern small-scale drawings; and
   (2) The Contractor shall follow figures marked on drawings in preference to scale measurements.

(d) Omissions from the drawings or specifications or the misdescription of details of work that are manifestly necessary to carry out the intent of the drawings and specifications, or that are customarily performed, shall not relieve the Contractor from performing such omitted or misdescribed details of the work. The Contractor shall perform such details as if fully and correctly set forth and described in the drawings and specifications.

(e) The work shall conform to the specifications and the contract drawings identified on the following index of drawings:

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(End of clause)

252.236–7002 Obstruction of navigable waterways.

As prescribed in 236.570(b)(1), use the following clause:

OBSTRUCTION OF NAVIGABLE WATERWAYS (DEC 1991)

(a) The Contractor shall—
   (1) Promptly recover and remove any material, plant, machinery, or appliance which the Contractor loses, dumps, throws overboard, sinks, or misplaces, and which, in the opinion of the Contracting Officer, may be dangerous to or obstruct navigation;
   (2) Give immediate notice, with description and locations of any such obstructions, to the Contracting Officer; and
   (3) When required by the Contracting Officer, mark or buoy such obstructions until the same are removed.

(b) The Contracting Officer may—
   (1) Remove the obstructions by contract or otherwise should the Contractor refuse, neglect, or delay compliance with paragraph (a) of this clause; and
   (2) Deduct the cost of removal from any monies due or to become due to the Contractor; or
   (3) Recover the cost of removal under the Contractor’s bond.

(c) The Contractor’s liability for the removal of a vessel wrecked or sunk without fault or negligence is limited to that provided in sections 15, 19, and 20 of the River and Harbor Act of March 3, 1899 (33 U.S.C. 410 et seq.).
(End of clause)

252.236–7003 Payment for mobilization and preparatory work.

As prescribed in 236.570(b)(2), use the following clause:

PAYMENT FOR MOBILIZATION AND PREPARATORY WORK (JAN 1997)

(a) The Government will make payment to the Contractor under the procedures in this clause for mobilization and preparatory work under item no. ________.

(b) Payments will be made for actual payments by the Contractor on work preparatory to commencing actual work on the construction items for which payment is provided under the terms of this contract, as follows—

1. For construction plant and equipment exceeding $25,000 in value per unit (as appraised by the Contracting Officer at the work site) acquired for the execution of the work;

2. Transportation of all plant and equipment to the site;

3. Material purchased for the prosecution of the contract, but not to be incorporated in the work;

4. Construction of access roads or railroads, camps, trailer courts, mess halls, dormitories or living quarters, field headquarters facilities, and construction yards;

5. Personal services; and

6. Hire of plant.

(c) Requests for payment must include—

1. An account of the Contractor's actual expenditures;

2. Supporting documentation, including receipts bills or copies of payrolls and freight bills; and

3. The Contractor's documentation—

(i) Showing that it has acquired the construction plant, equipment, and material free from all encumbrances;

(ii) Agreeing that the construction plant, equipment, and material will not be removed from the site without the written permission of the Contracting Officer; and

(iii) Agreeing that structures and facilities prepared or erected for the prosecution of the contract work will be maintained and not dismantled prior to the completion and acceptance of the entire work, without the written permission of the Contracting Officer;

(d) Upon receiving a request for payment, the Government will make payment, less any prescribed retained percentage, if—

1. The Contracting Officer finds the—

(i) Preparatory work has been done with proper economy and efficiency.

2. Payments for construction plant, equipment, material, and structures and facilities prepared or erected for prosecution of the contract work do not exceed—

(i) The Contractor's cost for the work performed less the estimated value upon completion of the contract; and

(ii) 100 percent of the cost to the contractor of any items having no appreciable salvage value; and

(iii) 75 percent of the cost to the contractor of items which do have an appreciable salvage value.

(e) (1) Payments will continue to be made for item no. ________, and all payments will be deducted from the contract price for this item, until the total deductions reduce this item to zero, after which no further payments will be made under this item.

2. If the total of payments so made does not reduce this item to zero, the balance will be paid to the Contractor in the final payment under the contract.

3. The retained percentage will be paid in accordance with the Payments to Contractor clause of this contract.

(f) The Contracting Officer shall determine the value and suitability of the construction plant, equipment, materials, structures and facilities. The Contracting Officer's determinations are not subject to appeal.

(End of clause)


252.236–7004 Payment for mobilization and demobilization.

As prescribed in 236.570(b)(2), use the following clause:

PAYMENT FOR MOBILIZATION AND DEMOBILIZATION (DEC 1991)

(a) The Government will pay all costs for the mobilization and demobilization of all of the Contractor's plant and equipment at the contract lump sum price for this item.

1. (i) percent of the lump sum price upon completion of the contractor's mobilization at the work site.

(ii) The remaining percent upon completion of demobilization.

(b) The Contracting Officer may require the Contractor to furnish cost data to justify this portion of the bid if the Contracting Officer believes that the percentages in paragraphs (a) (1) and (2) of this clause do not bear a reasonable relation to the cost of the work in this contract.

1. Failure to justify such price to the satisfaction of the Contracting Officer will result in payment, as determined by the Contracting Officer, of—
252.236-7005 Airfield safety precautions.

As prescribed in 236.570(b)(3), use the following clause. At some airfields, the width of the primary surface is 1,500 feet (750 feet on each side of the runway centerline). In such instances, substitute the proper width in the clause.

(A) The inclined plane (glide angle) begins at the edge of the surface.

(B) The slope of the incline plane is 7:1 (1 foot vertically for each 7 feet horizontally). It continues upward at a slope of 50:1 (1 foot for each 50 feet horizontally) to an elevation of 500 feet above the established airfield elevation. At that point the plane becomes horizontal, continuing at that same uniform elevation to a point 50,000 feet longitudinally from the beginning of the inclined plane (glide angle) and ending there.

(C) The width of the surface at the beginning of the inclined plane (glide angle) is the same as the width of the clear zone. It then flares uniformly, reaching the maximum width of 16,000 feet at the end.

(D) The approach-departure clearance zone is the ground area under the approach-departure clearance surface.

(E) The transitional surface is a sideways extension of all primary surfaces, clear zones, and approach-departure clearance surfaces along inclined planes.

(i) The inclined plane in each case begins at the edge of the surface.

(ii) The slope of the incline plane is 7:1 (1 foot vertically for each 7 feet horizontally). It continues to the point of intersection with the—

(F) Inner horizontal surface (which is the horizontal plane 150 feet above the established airfield elevation); or

(G) Outer horizontal surface (which is the horizontal plane 500 feet above the established airfield elevation), whichever is applicable.

(H) The “transitional zone” is the ground area under the transitional surface. (It adjoins the primary surface, clear zone, and approach-departure clearance zone.)

(b) General. (1) The Contractor shall comply with the requirements of this clause while—

(i) Operating all ground equipment (mobile or stationary);

(ii) Placing all materials; and

(iii) Performing all work, upon and around all airfields.

(ii) The requirements of this clause are in addition to any other safety requirements of this contract.

(c) The Contractor shall—

(1) Report to the Contracting Officer before initiating any work;

(2) Notify the Contracting Officer of proposed changes to locations and operations;

(3) Not permit either its equipment or personnel to use any runway for purposes other than aircraft operation without permission of the Contracting Officer, unless the runway is—

(i) Closed by order of the Contracting Officer; and

(ii) Marked as provided in paragraph (d)(2) of this clause;

(4) Keep all paved surfaces, such as runways, taxiways, and hardstands, clean at all times and, specifically, free from small stones which might damage aircraft propellers or jet aircraft;
Defense Acquisition Regulations System, DOD 252.236–7007

(5) Operate mobile equipment according to the safety provisions of this clause, while actually performing work on the airfield. At all other times, the Contractor shall remove all mobile equipment to locations—

(i) Approved by the Contracting Officer;

(ii) At a distance of at least 750 feet from the runway centerline, plus any additional distance; and

(iii) Necessary to ensure compliance with the other provisions of this clause; and

(6) Not open a trench unless material is on hand and ready for placing in the trench. As soon as practicable after material has been placed and work approved, the Contractor shall backfill and compact trenches as required by the contract. Meanwhile, all hazardous conditions shall be marked and lighted in accordance with the other provisions of this clause.

(d) Landing areas. The Contractor shall—

(1) Place nothing upon the landing areas without the authorization of the Contracting Officer;

(2) Outline those landing areas hazardous to aircraft, using (unless otherwise authorized by the Contracting Officer) red flags by day, and electric, battery-operated low-intensity red flasher lights by night;

(3) Obtain, at an airfield where flying is controlled, additional permission from the control tower operator every time before entering any landing area, unless the landing area is marked as hazardous in accordance with paragraph (d)(2) of this clause;

(4) Identify all vehicles it operates in landing areas by means of a flag on a staff attached to, and flying above, the vehicle. The flag shall be three feet square, and consist of a checkered pattern of international orange and white squares of 1 foot on each side (except that the flag may vary up to ten percent from each of these dimensions);

(5) Mark all other equipment and materials in the landing areas, using the same marking devices as in paragraph (d)(2) of this clause; and

(6) Perform work so as to leave that portion of the landing area which is available to aircraft free from hazards, holes, piles of material, and projecting shoulders that might damage an airplane tire.

(e) Safety precaution areas. The Contractor shall—

(1) Place nothing upon the safety precaution areas without authorization of the Contracting Officer;

(2) Mark all equipment and materials in safety precaution areas, using (unless otherwise authorized by the Contracting Officer) red flags by day, and electric, battery-operated, low-intensity red flasher lights by night; and

(3) Provide all objects placed in safety precaution areas with a red light or red lantern at night. If the objects project above the approach-departure clearance surface or above the transitional surface.

(End of clause)

252.236–7006 Cost limitation.

As prescribed in 236.570(b)(4), use the following provision:

COST LIMITATION (JAN 1997)

(a) Certain items in this solicitation are subject to statutory cost limitations. The limitations are stated in the Schedule.

(b) An offer which does not state separate prices for the items identified in the Schedule as subject to a cost limitation may be considered nonresponsive.

(c) Prices stated in offers for items subject to cost limitations shall include an appropriate apportionment of all costs, direct and indirect, overhead, and profit.

(d) Offers may be rejected which—

(i) Are materially unbalanced for the purpose of bringing items within cost limitations; or

(ii) Exceed the cost limitations, unless the limitations have been waived by the Government prior to award.

(End of provision)

252.236–7007 Additive or deductive items.

As prescribed in 236.570(b)(5), use the following provision:

ADDITIVE OR DEDUCTIVE ITEMS (DEC 1991)

(a) The low offeror and the items to be awarded shall be determined as follows—

(1) Prior to the opening of bids, the Government will determine the amount of funds available for the project.

(2) The low offeror shall be the Offeror that—

(i) Is otherwise eligible for award; and

(ii) Offers the lowest aggregate amount for the first or base bid item, plus or minus (in the order stated in the list of priorities in the bid schedule) those additive or deductive items that provide the most features within the funds determined available.

(3) The Contracting Officer shall evaluate all bids on the basis of the same additive or deductive items.

(i) If adding another item from the bid schedule list of priorities would make the award exceed the available funds for all offerors, the Contracting Officer will skip that item and go to the next item from the bid schedule of priorities; and
(ii) Add that next item if an award may be made that includes that item and is within the available funds.

(b) The Contracting Officer will use the list of priorities in the bid schedule only to determine the low offeror. After determining the low offeror, an award may be made on any combination of items if—

(1) It is in the best interest of the Government;
(2) Funds are available at the time of award; and
(3) The low offeror’s price for the combination to be awarded is less than the price offered by any other responsive, responsible offeror.

(c) Example. The amount available is $100,000. Offeror A’s base bid and four additives (in the order stated in the list of priorities in the bid Schedule) are $85,000, $10,000, $8,000, $6,000, and $4,000. Offeror B’s base bid and four additives are $80,000, $16,000, $9,000, $7,000, and $4,000. Offeror A is the low offeror. The aggregate amount of offeror A’s bid for purposes of award would be $99,000, which includes a base bid plus the first and fourth additives. The second and third additives were skipped because each of them would cause the aggregate bid to exceed $100,000.

(End of provision)

252.236–7008 Contract prices—bidding schedules.

As prescribed in 236.570(b)(6), use the following provision:

CONTRACT PRICES—BIDDING SCHEDULES (DEC 1991)

(a) The Government’s payment for the items listed in the Bidding Schedule shall constitute full compensation to the Contractor for—

(1) Furnishing all plant, labor, equipment, appliances, and materials; and
(2) Performing all operations required to complete the work in conformity with the drawings and specifications.

(b) The Contractor shall include in the prices for the items listed in the Bidding Schedule all costs for work in the specifications, whether or not specifically listed in the Bidding Schedule.

(End of provision)

252.236–7009 Option for supervision and inspection services.

As prescribed in 236.609–70, use the following clause:

OPTION FOR SUPERVISION AND INSPECTION SERVICES (DEC 1991)

(a) The Government may—

(1) At its option, direct the Contractor to perform any part or all of the supervision and inspection services for the construction contract as provided under Appendix A of this contract; and
(2) Exercise its option, by written order, at any time prior to six months after satisfactory completion and acceptance of the work under this contract.

(b) Upon receipt of the Contracting Officer’s written order, the Contractor shall proceed with the supervision and inspection services.

(End of clause)


As prescribed in 236.570(c)(1), use the following provision:

OVERSEAS MILITARY CONSTRUCTION—PREFERENCE FOR UNITED STATES FIRMS (JAN 1997)

(a) Definition. “United States firm,” as used in this provision, means a firm incorporated in the United States that complies with the following:

(1) The corporate headquarters are in the United States;
(2) The firm has filed corporate and employment tax returns in the United States for a minimum of 2 years (if required), has filed State and Federal income tax returns (if required) for 2 years, and has paid any taxes due as a result of these filings; and
(3) The firm employs United States citizens in key management positions.

(b) Evaluation. Offers from firms that do not qualify as United States firms will be evaluated by adding 20 percent to the offer.

(c) Status. The offeror is, is not a United States firm.

(End of provision)


252.236–7011 Overseas architect-engineer services—Restriction to United States firms.

As prescribed in 236.609–70(b), use the following provision:

OVERSEAS ARCHITECT-ENGINEER SERVICES—RESTRICTION TO UNITED STATES FIRMS (JAN 1997)

(a) Definition. United States firm, as used in this provision, means a firm incorporated in the United States that complies with the following:

(1) The corporate headquarters are in the United States;
(2) The firm has filed corporate and employment tax returns in the United States for a minimum of 2 years (if required), has filed State and Federal income tax returns (if required) for 2 years, and has paid any taxes due as a result of these filings; and
(3) The firm employs United States citizens in key management positions.

(b) Evaluation. Offers from firms that do not qualify as United States firms will be evaluated by adding 20 percent to the offer.

(c) Status. The offeror is, is not a United States firm.

(End of provision)
(2) The firm has filed corporate and employment tax returns in the United States for a minimum of 12 years (if required), has filed State and Federal income tax returns (if required) for 2 years, and has paid any taxes due as a result of these filings; and
(b) The firm employs United States citizens in key management positions.

(b) Restriction. Military construction appropriations acts restrict award of a contract, resulting from this solicitation, to a United States firm or a joint venture of United States and host nation firms.

(c) Status. The offeror confirms, by submission of its offer, that it is a United States firm or a joint venture of United States and host nation firms.

(End of provision)

[63 FR 11549, Mar. 9, 1998]

252.236–7013 Requirement for competition opportunity for American steel producers, fabricators, and manufacturers.

As prescribed in 236.570(d), use the following clause:

REQUIREMENT FOR COMPETITION OPPORTUNITY FOR AMERICAN STEEL PRODUCERS, FABRICATORS, AND MANUFACTURERS (JAN 2009)

(a) Definition. Construction material, as used in this clause, means an article, material, or supply brought to the construction site by the Contractor or a subcontractor for incorporation into the building or work.
(b) The Contractor shall provide American steel producers, fabricators, and manufacturers the opportunity to compete when acquiring steel as a construction material (e.g., steel beams, rods, cables, plates).
(c) The Contractor shall insert the substance of this clause, including this paragraph (c), in any subcontract that involves the acquisition of steel as a construction material.

(End of clause)

[74 FR 2418, Jan. 15, 2009]

252.237–7000 Notice of special standards of responsibility.

As prescribed in 237.270(d)(1), use the following provision:

NOTICE OF SPECIAL STANDARDS OF RESPONSIBILITY (DEC 1991)

(a) To be determined responsible, the Offeror must meet the general standards of responsibility set forth at FAR 9.104–1 and the following criteria, as described in Chapter 3, General Standards, of “Government Auditing Standards.”
(1) Qualifications;
(2) Independence; and
(3) Quality Control.
252.237–7001 Compliance with audit standards.

As prescribed in 237.270(d)(2), use the following clause:

COMPLIANCE WITH AUDIT STANDARDS (MAY 2000)

The Contractor, in performance of all audit services under this contract, shall comply with “Government Auditing Standards” issued by the Comptroller General of the United States.

(End of clause)

[65 FR 32041, May 22, 2000]

252.237–7002 Award to single offeror.

As prescribed in 237.7003(a), use the following provision:

AWARD TO SINGLE OFFEROR (DEC 1991)

(a) Award shall be made to a single offeror.

(b) Offerors shall include unit prices for each item. Failure to include unit prices for each item will be cause for rejection of the entire offer.

(c) The Government will evaluate offers on the basis of the estimated quantities shown.

(d) Award will be made to that responsive, responsible offeror whose total aggregate offer is the lowest price to the Government.

(End of provision)

Alternate I (DEC 1991). As prescribed in 237.7003(a), substitute the following paragraph (d) for paragraph (d) of the basic provision:

(d) Award will be made to that responsive, responsible offeror whose total aggregate offer is the best interest of the Government.


252.237–7003 Requirements.

As prescribed in 237.7003(b), use the following clause:

REQUIREMENTS (DEC 1991)

(a) Except as provided in paragraphs (c) and (d) of this clause, the Government will order from the Contractor all of its requirements in the area of performance for the supplies and services listed in the schedule of this contract.

(b) Each order will be issued as a delivery order and will list—

1. The supplies or services being ordered;

2. The quantities to be furnished;

3. Delivery or performance dates;

4. Place of delivery or performance;

5. Packing and shipping instructions;

6. The address to send invoices; and

7. The funds from which payment will be made.

(c) The Government may elect not to order supplies and services under this contract in instances where the body is removed from the area for medical, scientific, or other reason.

(d) In an epidemic or other emergency, the contracting activity may obtain services beyond the capacity of the Contractor’s facilities from other sources.

(e) Contracting Officers of the following activities may order services and supplies under this contract—

(End of clause)


As prescribed in 237.7003(b), use the following clause:

AREA OF PERFORMANCE (DEC 1991)

(a) The area of performance is as specified in the contract.

(b) The Contractor shall take possession of the remains at the place where they are located, transport them to the Contractor’s place of preparation, and later transport them to a place designated by the Contracting Officer.

(c) The Contractor will not be reimbursed for transportation when both the place where the remains were located and the delivery point are within the area of performance.

(d) If remains are located outside the area of performance, the Contracting Officer may place an order with the Contractor under this contract or may obtain the services elsewhere. If the Contracting Officer requires the Contractor to transport the remains into the area of performance, the Contractor shall be paid the amount per mile in the
schedule for the number of miles required to transport the remains by a reasonable route from the point where located to the boundary of the area of performance.

(e) The Contracting Officer may require the Contractor to deliver remains to any point within 100 miles of the area of performance. In this case, the Contractor shall be paid the amount per mile in the schedule for the number of miles required to transport the remains by a reasonable route from the boundary of the area of performance to the delivery point.

(End of clause)


252.237-7005 Performance and delivery.

As prescribed in 237.7003(b), use the following clause:

PERFORMANCE AND DELIVERY (DEC 1991)

(a) The Contractor shall furnish the material ordered and perform the services specified as promptly as possible but not later than 36 hours after receiving notification to remove the remains, excluding the time necessary for the Government to inspect and check results of preparation.

(b) The Government may, at no additional charge, require the Contractor to hold the remains for an additional period not to exceed 72 hours from the time the remains are casketed and final inspection completed.

(End of clause)


252.237-7006 Subcontracting.

As prescribed in 237.7003(b), use the following clause:

SUBCONTRACTING (DEC 1991)

The Contractor shall not subcontract any work under this contract without the Contracting Officer’s written approval. This clause does not apply to contracts of employment between the Contractor and its personnel.

(End of clause)


252.237-7007 Termination for default.

As prescribed in 237.7003(b), use the following clause:

TERMINATION FOR DEFAULT (DEC 1991)

(a) This clause supplements and is in addition to the Default clause of this contract.

(b) The Contracting Officer may terminate this contract for default by written notice without the ten day notice required by paragraph (a)(2) of the Default clause if—

(1) The Contractor, through circumstances reasonably within its control or that of its employees, performs any act under or in connection with this contract, or fails in the performance of any service under this contract and the act or failures may reasonably be considered to reflect discredit upon the Department of Defense in fulfilling its responsibility for proper care of remains;

(2) The Contractor, or its employees, solicits relatives or friends of the deceased to purchase supplies or services not under this contract. (The Contractor may furnish supplies or arrange for services not under this contract, only if representatives of the deceased voluntarily request, select, and pay for them.);

(3) The services or any part of the services are performed by anyone other than the Contractor or the Contractor’s employees without the written authorization of the Contracting Officer;

(4) The Contractor refuses to perform the services required for any particular remains; or

(5) The Contractor mentions or otherwise uses this contract in its advertising in any way.

(End of clause)


252.237-7008 Group interment.

As prescribed in 237.7003(b), use the following clause:

GROUP INTERMENT (DEC 1991)

The Government will pay the Contractor for supplies and services provided for remains interred as a group on the basis of the number of caskets furnished, rather than on the basis of the number of persons in the group.

(End of clause)


252.237-7009 Permits.

As prescribed in 237.7003(b), use the following clause:
PERMITS (DEC 1991)

The Contractor shall meet all State and local licensing requirements and obtain and furnish all necessary health department and shipping permits at no additional cost to the Government. The Contractor shall ensure that all necessary health department permits are in order for disposition of the remains.

(End of clause)

252.237–7010 Prohibition on interrogation of detainees by contractor personnel.

As prescribed in 237.173–5, use the following clause:

PROHIBITION ON INTERROGATION OF DETAINEES BY CONTRACTOR PERSONNEL (NOV 2010)

(a) Definitions. As used in this clause—

Detainee means any person captured, detained, held, or otherwise under the effective control of DoD personnel (military or civilian) in connection with hostilities. This includes, but is not limited to, enemy prisoners of war, civilian internees, and retained personnel. This does not include DoD personnel or DoD contractor personnel being held for law enforcement purposes.

Interrogation of detainees means a systematic process of formally and officially questioning a detainee for the purpose of obtaining reliable information to satisfy foreign intelligence collection requirements.

(b) Contractor personnel shall not interrogate detainees.

(c) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (c), in all subcontracts that may require subcontractor personnel to interact with detainees in the course of their duties.

(End of clause)

[75 FR 67634, Nov. 3, 2010]

252.237–7011 Preparation history.

As prescribed in 237.7003(b), use the following clause:

PREPARATION HISTORY (DEC 1991)

For each body prepared, or for each casket handled in a group interment, the Contractor shall state briefly the results of the embalming process on a certificate furnished by the Contracting Officer.

(End of clause)


252.237–7012 Instruction to offerors (count-of-articles).

As prescribed in 237.7101(a), use the following provision:

INSTRUCTION TO OFFERORS (COUNT-OF-ARTICLES) (DEC 1991)

(a) The Offeror shall include unit prices for each item in a lot. Unit prices shall include all costs to the Government of providing the services, including pickup and delivery charges.

(b) Failure to offer on any item in a lot shall be cause for rejection of the offer on that lot. The Contracting Officer will evaluate offers based on the estimated quantities in the solicitation.

(c) Award generally will be made to a single offeror for all lots. However, the Contracting Officer may award by individual lot when it is more advantageous to the Government.

(d) Prospective offerors may inspect the types of articles to be serviced. Contact the Contracting Officer to make inspection arrangements.

(End of provision)


252.237–7013 Instruction to offerors (bulk weight).

As prescribed in 237.7101(b), use the following provision:

INSTRUCTION TO OFFERORS (BULK WEIGHT) (DEC 1991)

(a) Offers shall be submitted on a unit price per pound of serviced laundry. Unit prices shall include all costs to the Government of providing the service, including pickup and delivery charges.

(b) The Contracting Officer will evaluate bids based on the estimated pounds of serviced laundry stated in the solicitation.

(c) Award generally will be made to a single offeror for all lots. However, the Contracting Officer may award by individual lot when it is more advantageous to the Government.

(d) Prospective offerors may inspect the types of articles to be serviced. Contact the Contracting Officer to make inspection arrangements.
Defense Acquisition Regulations System, DOD

252.237–7014 Loss or damage (count-of-articles).

As prescribed in 237.7101(c), use the following clause:

LOSS OR DAMAGE (COUNT-OF-ARTICLES) (DEC 1991)

(a) The count-of-articles will be—
(1) The count of the Contracting Officer; or
(2) The count 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) The Contractor shall—
(1) Be liable for return of the number and kind of articles furnished for service under this contract; and
(2) Shall indemnify the Government for any loss or damage to such articles.

(c) The Contractor shall pay to the Government the value of any lost or damaged property using Federal supply schedule price lists. If the property is not on these price lists, the Contracting Officer shall determine a fair and reasonable price.

(d) The Contracting Officer will allow credit for any depreciation in the value of the property at the time of loss or damage. The Contracting Officer and the Contractor shall mutually determine the amount of the allowable credit.

(e) Failure to agree upon the value of the property or on the amount of credit due will be treated as a dispute under the Disputes clause of this contract.

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

(End of clause)

252.237–7015 Loss or damage (weight of articles).

As prescribed in 237.7101(d), use the following clause:

LOSS OR DAMAGE (WEIGHT OF ARTICLES) (DEC 1991)

(a) The Contractor shall—
(1) Be liable for return of the articles furnished for service under this contract; and
(2) Indemnify the Government for any articles delivered to the Contractor for servicing under this contract that are lost or damaged, and in the opinion of the Contracting Officer, cannot be repaired satisfactorily.

(b) The Contractor shall pay to the Government per pound for lost or damaged articles. The Contractor shall pay the Government only for losses which exceed the maximum weight loss in paragraph (e) of this clause.

(c) Failure to agree on the amount of credit due will be treated as a dispute under the Disputes clause of this contract.

(d) In the case of damage to any articles that the Contracting Officer and the Contractor agree can be satisfactorily repaired, the Contractor shall repair the articles at its expense in a manner satisfactory to the Contracting Officer.

(e) The maximum weight loss allowable in servicing the laundry is percent of the weight recorded on delivery tickets when the laundry is picked up. Any weight loss in excess of this amount shall be subject to the loss provisions of this clause.

(End of clause)

252.237–7016 Delivery tickets.

As prescribed in 237.7101(e), use the following clause:

DELIVERY TICKETS (DEC 1991)

(a) The Contractor shall complete delivery tickets in the number of copies required and in the form approved by the Contracting Officer, when it receives the articles to be serviced.

(b) The Contractor shall include one copy of each delivery ticket with its invoice for payment.

(End of clause)

Alternate I (DEC 1991). As prescribed in 237.7101(e)(1), add the following paragraphs (c), (d), and (e) to the basic clause:

(c) Before the Contractor picks up articles for service under this contract, the Contracting Officer will ensure that—
(1) Each bag contains only articles within a single bag type as specified in the schedule; and
(2) Each bag is weighed and the weight and bag type are identified on the bag.

(d) The Contractor shall, at time of pick-up—
(1) Verify the weight and bag type and record them on the delivery ticket; and
(2) Provide the Contracting Officer, or representative, a copy of the delivery ticket.

(e) 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.

Alternate II (DEC 1991). As prescribed in 237.7101(e)(2), add the following paragraphs (c), (d), and (e) to the basic clause—

(c) Before the Contractor picks up articles for service under this contract, the Contracting Officer will ensure that each bag is weighed and that the weight is identified on the bag.

(d) The Contractor, at time of pickup, shall verify and record the weight on the delivery ticket and shall provide the Contracting Officer, or representative, a copy of the delivery ticket.

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


252.237-7017 Individual laundry.

As prescribed in 237.7101(f), use the following clause:

INDIVIDUAL LAUNDRY (DEC 1991)

(a) The Contractor shall provide laundry service under this contract on both a unit bundle and on a piece-rate bundle basis for individual personnel.

(b) The total number of pieces listed in the “Estimated Quantity” column in the schedule is the estimated amount of individual laundry for this contract. The estimate is for information only and is not a representation of the amount of individual laundry to be provided.

(c) Charges for individual laundry will be on a per unit bundle or a piece-rate basis. The Contractor shall provide individual laundry bundle delivery tickets for use by the individuals in designating whether the laundry is a unit bundle or a piece-rate bundle. An individual laundry bundle will be accompanied by a delivery ticket listing the contents of the bundle.

(d) The maximum number of pieces to be allowed per bundle is as specified in the schedule and as follows—

1. Bundle consisting of 26 pieces, including laundry bag. This bundle will contain approximately 13 pieces of outer garments which shall be starched and pressed. Outer garments include, but are not limited to, shirts, trousers, jackets, dresses, and coats.

2. Bundle consisting of 13 pieces, including laundry bag. This bundle will contain approximately 6 pieces of outer garments which shall be starched and pressed. Outer garments include, but are not limited to, shirts, trousers, jackets, dresses, and coats.

(End of clause)


252.237-7018 Special definitions of Government property.

As prescribed in 237.7101(g), use the following clause:

SPECIAL DEFINITIONS OF GOVERNMENT PROPERTY (DEC 1991)

Articles delivered to the Contractor to be laundered or dry-cleaned, including any articles which are actually owned by individual Government personnel, are Government-owned property, not Government-furnished property. Government-owned property does not fall under the requirements of any Government-furnished property clause of this contract.

(End of clause)


252.237-7019 Training for Contractor Personnel Interacting with Detainees.

As prescribed in 237.171-4, use the following clause:

TRAINING FOR CONTRACTOR PERSONNEL INTERACTING WITH DETAINEES (SEP 2006)

(a) Definitions. As used in this clause—

Combatant Commander means the commander of a unified or specified combatant command established in accordance with 10 U.S.C. 161.

Detainee means a person in the custody or under the physical control of the Department of Defense on behalf of the United States Government as a result of armed conflict or other military operation by United States armed forces.

Personnel interacting with detainees means personnel who, in the course of their duties, are expected to interact with detainees.

(1) The Combatant Commander responsible for the area where a detention or interrogation facility is located will arrange for training to be provided to contractor personnel interacting with detainees. The training will address the international obligations and laws of the United States applicable to the detention of personnel, including the Geneva Conventions. The Combatant Commander will arrange for a training receipt document to be provided to personnel who have completed the training.

(2)(i) The Contractor shall arrange for its personnel interacting with detainees to—
(A) Receive the training specified in paragraph (b)(1) of this clause—
(I) Prior to interacting with detainees, or as soon as possible if, for compelling reasons, the Contracting Officer authorizes interaction with detainees prior to receipt of such training; and
(II) Annually thereafter; and
(B) Provide a copy of the training receipt document specified in paragraph (b)(1) of this clause to the Contractor for retention.
(ii) To make these arrangements, the following points of contact apply:
(Contracting Officer to insert applicable point of contact information cited in PGI 237.171–3(b).)

(3) The Contractor shall retain a copy of the training receipt document(s) provided in accordance with paragraphs (b)(1) and (2) of this clause until the contract is closed, or 3 years after all work required by the contract has been completed and accepted by the Government, whichever is sooner.

(c) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (c), in all subcontracts that may require subcontractor personnel to interact with detainees in the course of their duties.

(End of clause)

[70 FR 52034, Sept. 1, 2005, as amended at 71 FR 53049, Sept. 8, 2006]


252.237–7022 Services at installations being closed.

As prescribed in 237.7402, use the following clause:

SERVICES AT INSTALLATIONS BEING CLOSED
(MAY 1995)

Professional employees shall be used by the local government to provide services under this contract to the extent that professionals are available in the area under the jurisdiction of such government.

(End of clause)

[59 FR 36090, July 15, 1994, as amended at 60 FR 25603, June 5, 1996]

252.237–7023 Continuation of Essential Contractor Services.

As prescribed in 237.7603(a), use the following clause:

CONTINUATION OF ESSENTIAL CONTRACTOR SERVICES (OCT 2010)

(a) Definitions. As used in this clause—
(1) Essential contractor service means a service provided by a firm or individual under contract to DoD to support mission-essential functions, such as support of vital systems, including ships owned, leased, or operated in support of military missions or roles at sea; associated support activities, including installation, garrison, and base support services; and similar services provided to foreign military sales customers under the Security Assistance Program. Services are essential if the effectiveness of defense systems or operations has the potential to be seriously impaired by the interruption of these services, as determined by the appropriate functional commander or civilian equivalent.

(2) Mission-essential functions means those organizational activities that must be performed under all circumstances to achieve DoD component missions or responsibilities, as determined by the appropriate functional commander or civilian equivalent. Failure to perform or sustain these functions would significantly affect DoD’s ability to provide vital services or exercise authority, direction, and control.

(b) The Government has identified all or a portion of the contractor services performed under this contract as essential contractor services in support of mission-essential functions. These services are listed in attachment __, Mission-Essential Contractor Services, dated __.

(c)(1) The Mission-Essential Contractor Services Plan submitted by the Contractor, is incorporated in this contract.

(2) The Contractor shall maintain and update its plan as necessary. The Contractor shall provide all plan updates to the Contracting Officer for approval.

(3) As directed by the Contracting Officer, the Contractor shall participate in training events, exercises, and drills associated with Government efforts to test the effectiveness of continuity of operations procedures and practices.

(d)(1) Notwithstanding any other clause of this contract, the Contractor shall be responsible to perform those services identified as essential contractor services during crisis situations (as directed by the Contracting
252.237–7024 Notice of Continuation of Essential Contractor Services.

As prescribed in 237.7603(b), use the following provision:

NOTICE OF CONTINUATION OF ESSENTIAL CONTRACTOR SERVICES

(a) Definitions. Essential contractor service and mission-essential functions have the meanings given in the clause at 252.237–7023, Continuation of Essential Contractor Services, in this solicitation.

(b) The offeror shall provide with its offer a written plan describing how it will continue to perform the essential contractor services listed in attachment _, Mission Essential Contractor Services, dated _, during periods of crisis. The offeror shall—

1. Identify provisions made for the acquisition of essential personnel and resources, if necessary, for continuity of operations for up to 30 days or until normal operations can be resumed;

2. Address in the plan, at a minimum—

   (i) Challenges associated with maintaining essential contractor services during an extended event, such as a pandemic that occurs in repeated waves;

   (ii) The time lapse associated with the initiation of the acquisition of essential personnel and resources and their actual availability on site;

   (iii) The components, processes, and requirements for the identification, training, and preparedness of personnel who are capable of relocating to alternate facilities or performing work from home;

   (iv) Any established alert and notification procedures for mobilizing identified ‘essential contractor service’ personnel; and

   (v) The approach for communicating expectations to contractor employees regarding their roles and responsibilities during a crisis.

(End of provision)

[75 FR 66683, Oct. 29, 2010]

252.239–7000 Protection against compromising emanations.

As prescribed in 239.7103(a), use the following clause:

PROTECTION AGAINST COMPROMISING EMANATIONS (JUN 2004)

(a) The Contractor shall provide or use only information technology, as specified by the Government, that has been accredited to meet the appropriate information assurance requirements of—

1. The National Security Agency National TEMPEST Standards (NACSEM No. 3100 or NACSEM No. 3100A, Compromising Emanations Laboratory Test Standard, Electromagnetics (U)); or

2. Other standards specified by this contract, including the date through which the required accreditation is current or valid for the contract.

(b) Upon request of the Contracting Officer, the Contractor shall provide documentation supporting the accreditation.

(c) The Government may, as part of its inspection and acceptance, conduct additional tests to ensure that information technology delivered under this contract satisfies the information assurance standards specified. The Government may conduct additional tests—

1. At the installation site or contractor’s facility; and

2. Notwithstanding the existence of valid accreditations of information technology prior to the award of this contract.
(d) Unless otherwise provided in this contract under the Warranty of Supplies or Warranty of Systems and Equipment clause, the Contractor shall correct or replace accepted information technology found to be deficient within 1 year after proper installations.

(1) The correction or replacement shall be at no cost to the Government.

(2) Should a modification to the delivered information technology be made by the Contractor, the 1-year period applies to the modification upon its proper installation.

(3) This paragraph (d) applies regardless of f.o.b. point or the point of acceptance of the deficient information technology.

(End of clause)

252.239–7001 Information Assurance Contractor Training and Certification.

As prescribed in 239.7103(b), use the following clause:

INFORMATION ASSURANCE CONTRACTOR TRAINING AND CERTIFICATION (JAN 2008)

(a) The Contractor shall ensure that personnel accessing information systems have the proper and current information assurance certification to perform information assurance functions in accordance with DoD 8570.01–M, Information Assurance Workforce Improvement Program. The Contractor shall meet the applicable information assurance certification requirements, including—

(1) DoD-approved information assurance workforce certifications appropriate for each category and level as listed in the current version of DoD 8570.01–M; and

(2) Appropriate operating system certification for information assurance technical positions as required by DoD 8570.01–M.

(b) Upon request by the Government, the Contractor shall provide documentation supporting the information assurance certification status of personnel performing information assurance functions.

(c) Contractor personnel who do not have proper and current certifications shall be denied access to DoD information systems for the purpose of performing information assurance functions.

(End of clause)

252.239–7002 Access.

As prescribed in 239.7411(a), use the following clause:

ACCESS (DEC 1991)

(a) Subject to military security regulations, the Government shall permit the Contractor access at all reasonable times to Contractor furnished facilities. However, if the Government is unable to permit access, the Government at its own risk and expense shall maintain these facilities and the Contractor shall not be responsible for the service involving any of these facilities during the period of nonaccess, unless the service failure results from the Contractor’s fault or negligence.

(b) During periods when the Government does not permit Contractor access, the Government will reimburse the Contractor at mutually acceptable rates for the loss of or damage to the equipment due to the fault or negligence of the Government. Failure to agree shall be a dispute concerning a question of fact within the meaning of the Disputes clause of this contract.

(End of clause)

252.239–7003 [Reserved]

252.239–7004 Orders for facilities and services.

As prescribed in 239.7411(a), use the following clause:

ORDERS FOR FACILITIES AND SERVICES (NOV 2005)

The Contractor shall acknowledge a communication service authorization or other type order for supplies and facilities by—

(a) Commencing performance; or

(b) Written acceptance by a duly authorized representative.

(End of clause)

252.239–7005 Rates, charges, and services.

As prescribed in 239.7411(a), use the following clause:

RATES, CHARGES, AND SERVICES (NOV 2005)

(a) Definition—Governmental regulatory body means the Federal Communications Commission, any statewide regulatory body, or any body with less than statewide jurisdiction when operating under the state authority. Regulatory bodies whose decisions are not subject to judicial appeal and regulatory bodies which regulate a company owned by the same entity which creates the regulatory body are not “governmental regulatory bodies.”
The Contractor shall furnish the services and facilities under this agreement/contract in accordance with:

1. All applicable tariffs, rates, charges, rules, regulations, or requirements;
2. Rates, terms, and conditions of service and facilities furnished or offered by the Contractor to the general public or the Contractor's subscribers;
3. Rates, terms, and conditions of service as may be agreed upon, subject, when appropriate, to jurisdiction of a governmental regulatory body.

The Government shall not prepay for services.

For nontariffed services, the Contractor shall charge the Government at the lowest rate and under the most favorable terms and conditions for similar service and facilities offered to any other customer.

Recurring charges for services and facilities shall start with the satisfactory beginning of service or provision of facilities or equipment and are payable monthly in arrears.

Subject to the Cancellation or Termination of Orders clause, of this agreement/contract, the Government may stop the use of any service or facilities furnished under this agreement/contract at any time. The Government shall pay the contractor all charges for services and facilities adjusted to the effective date of discontinuance.

Expediting charges are costs necessary to get services earlier than normal. Examples are overtime pay or special shipment. When authorized, expediting charges shall be the additional costs incurred by the Contractor and the subcontractor. The Government shall pay expediting charges only when—

1. They are provided for in the tariff established by a governmental regulatory body; or
2. They are authorized in a communication service authorization or other contractual document.

When services normally provided are technically unacceptable and the development, fabrication, or manufacture of special equipment is required, the Government may—

1. Provide the equipment; or
2. Direct the Contractor to acquire the equipment or facilities. If the Contractor acquires the equipment or facilities, the acquisition shall be competitive, if practicable.

If at any time the Government defers or changes its orders for any of the services but does not cancel or terminate them, the amount paid or payable to the Contractor for the services deferred or modified shall be equitably adjusted under applicable tariffs filed by the Contractor with the regulatory commission in effect at the time of deferral or change. If no tariffs are in effect, the Government and the Contractor shall equitably adjust the rates by mutual agreement. Failure to agree on any adjustment shall be a dispute concerning a question of fact within the meaning of the Disputes clause of this contract.

Tariff information.

As prescribed in 239.7411(a), use the following clause:

TARIFF INFORMATION (JUL 1997)

(a) The Contractor shall provide to the Contracting Officer—

1. Upon request, a copy of the Contractor's current existing tariffs (including changes);
2. Before filing, any application to a Federal, State, or any other regulatory agency for new or changes to, rates, charges, services, or regulations relating to any tariff or any of the facilities or services to be furnished solely or primarily to the Government;
3. Upon request, a copy of all information, material, and data developed or prepared in support of or in connection with an application under paragraph (a)(2) of this clause.

(b) The Contractor shall notify the Contracting Officer of any application that anyone other than the Contractor files with a governmental regulatory body which affects or will affect the rate or conditions of services under this agreement/contract. These requirements also apply to applications pending on the effective date of this agreement/contract. These requirements also apply to applications pending on the effective date of this agreement/contract.

Cancellation or termination of orders.

As prescribed in 239.7411(a), use the following clause:

CANCELLATION OR TERMINATION OF ORDERS (JUL 1997)

(a) If the Government cancels any of the services ordered under this agreement/contract, before the services are made available to the Government, or terminates any of these services after they are made available...
to the Government, the Government shall reimburse the Contractor for the actual nonrecoverable costs the Contractor hasreasonably incurred in providing facilities and equipment which the Contractor has no foreseeable reuse.

(b) The amount of the Government’s liability upon cancellation or termination of any of the services ordered under this agreement/contract will be determined under applicable tariffs governing cancellation and termination charges which—

(1) Are filed by the Contractor with a governmental regulatory body, as defined in the Rates, Charges, and Services clause of this agreement/contract;

(2) Are in effect on the date of termination; and

(3) Provide specific cancellation or termination charges for the facilities and equipment involved or show how to determine the charges.

(c) The amount of the Government’s liability upon cancellation or termination of any of the services ordered under this agreement/contract, which are not subject to a governmental regulatory body, will be determined under a mutually agreed schedule in the communication services authorization (CSA) or other contractual document.

(d) If no applicable tariffs are in effect on the date of cancellation or termination or set forth in the applicable CSA or other contractual document, the Government’s liability will be determined under the following settlement procedures—

(1) The Contractor agrees to provide the Contracting Officer, in such reasonable detail as the Contracting Officer may require, inventory schedules covering all items of property or facilities in the Contractor’s possession, the cost of which is included in the Basic Cancellation or Termination Liability for which the Contractor has no foreseeable reuse.

(2) The Contractor shall use its best efforts to sell property or facilities when the Contractor has no foreseeable reuse or when the Government has not exercised its option to take title under the title to Telecommunications Facilities and Equipment clause of this agreement/contract. The Contractor shall apply any proceeds of the sale to reduce any payments by the Government to the Contractor under a cancellation or termination settlement.

(3) The Contractor shall record actual nonrecoverable costs under established accounting procedures prescribed by the cognizant governmental regulatory authority or, if no such procedures have been prescribed, under generally accepted accounting procedures applicable to the provision of telecommunications services for public use.

(4) The actual nonrecoverable costs are the installed costs of the facilities and equipment, less cost of reusable materials, and less net salvage value. Installed costs shall include the actual cost of equipment and materials specifically provided or used, plus the actual cost of installing (including engineering, labor, supervision, transportation, rights-of-way, and any other items which are chargeable to the capital accounts of the Contractor) less any costs the Government may have directly reimbursed the Contractor under the Special Construction and Equipment Charges clause of this agreement/contract. Deduct from the Contractor’s installed cost, the net salvage value (salvage value less cost of removal). In determining net salvage value, give consideration to foreseeable reuse of the facilities and equipment by the Contractor. Make allowance for the cost of dismantling, removal, reconditioning, and disposal of the facilities and equipment when necessary either to the sale of facilities or their reuse by the Contractor in another location.

(5) The Basic Cancellation Liability is defined as the actual nonrecoverable cost which the Government shall reimburse the Contractor at the time services are cancelled. The Basic Termination Liability is defined as the nonrecoverable cost amortized in equal monthly increments throughout the liability period. Upon termination of services, the Government shall reimburse the Contractor for the nonrecoverable cost less such costs amortized to the date services are terminated. Establish the liability period as mutually agreed to but not to exceed ten years.

(6) When the Basic Cancellation or Termination Liability established by the CSA or other contractual document is based on estimated costs, the Contractor agrees to settle on the basis of actual cost at the time of termination or cancellation.

(7) The Contractor agrees that, if after settlement but within the termination liability period of the services, should the Government make reuse of equipment or facilities which were treated as nonrecoverable or nonsalvagable in the settlement, the Contractor shall reimburse the Government for the value of the equipment or facilities.

(8) The Contractor agrees to exclude—

(i) Any costs which are not included in determining cancellation and termination charges under the Contractor’s standard practices or procedures; and

(ii) Charges not ordinarily made by the Contractor for similar facilities or equipment, furnished under similar circumstances.

(e) The Government may, under such terms and conditions as it may prescribe, make partial payments and payments on account against costs incurred by the Contractor in connection with the canceled or terminated portion of this agreement/contract. The Government may make these payments if in the opinion of the Contracting Officer the total...
of the payments is within the amount the Contractor is entitled. If the total of the payments is in excess of the amount finally agreed or determined to be due under this clause, the Contractor shall pay the excess to the Government upon demand.

(f) Failure to agree shall be a dispute concerning a question of fact within the meaning of the Disputes clause.

(End of clause)


252.239–7008 Reuse arrangements.

As prescribed in 239.7411(a), use the following clause:

**REUSE ARRANGEMENTS (DEC 1991)**

(a) When feasible, the Contractor shall reuse canceled or terminated facilities or equipment to minimize the charges to the Government.

(b) If at any time the Government requires that telecommunications facilities or equipment be relocated within the Contractor’s service area, the Government shall have the option of paying the costs of relocating the facilities or equipment in lieu of paying any termination or cancellation charge under the Cancellation or Termination of Orders—Common Carriers clause of this agreement/contract. The Basic Termination Liability applicable to the facilities or equipment in their former location shall continue to apply to the facilities and equipment in their new location. Monthly rental charges shall continue to be paid during the period.

(c) When there is another requirement or foreseeable reuse in place of canceled or terminated facilities or equipment, no charge shall apply and the Basic Cancellation or Termination Liability shall be appropriately reduced. When feasible, the Contractor shall promptly reuse discontinued channels or facilities, including equipment for which the Government is obligated to pay a minimum service charge.

(End of clause)

252.239–7009—252.239–7010 [Reserved]

252.239–7011 Special construction and equipment charges.

As prescribed in 239.7411(b), use the following clause:

**SPECIAL CONSTRUCTION AND EQUIPMENT CHARGES (DEC 1991)**

(a) The Government will not directly reimburse the Contractor for the cost of constructing any facilities or providing any equipment, unless the Contracting Officer authorizes direct reimbursement.

(b) If the Contractor stops using facilities or equipment which the Government has, in whole or part, directly reimbursed, the Contractor shall allow the Government credit for the value of the facilities or equipment attributable to the Government’s contribution. Determine the value of the facilities and equipment on the basis of their foreseeable reuse by the Contractor at the time their use is discontinued or on the basis of the net salvage value, whichever is greater. The Contractor shall promptly pay the Government the amount of any credit.

(c) The amount of the direct special construction charge shall not exceed—

(1) The actual costs to the Contractor; and

(2) An amount properly allocable to the services to be provided to the Government.

(d) The amount of the direct special construction charge shall not include costs incurred by the Contractor which are covered by—

(1) A cancellation or termination liability; or

(2) The Contractor’s recurring or other nonrecurring charges.

(e) The Contractor represents that—

(1) Recurring charges for the services, facilities, and equipment do not include in the rate base any costs that have been reimbursed by the Government to the Contractor; and

(2) Depreciation charges are based only on the cost of facilities and equipment paid by the Contractor and not reimbursed by the Government.

(f) If it becomes necessary for the Contractor to incur costs to replace any facilities or equipment, the Government shall assume those costs or reimburse the Contractor for replacement costs at mutually acceptable rates under the following circumstances—

(1) The Government paid direct special construction charges; or

(2) The Government reimbursed the Contractor for those facilities or equipment as a part of the recurring charges; and

(3) The need for replacement was due to circumstances beyond the control and without the fault of the Contractor.

(End of clause)
Defense Acquisition Regulations System, DOD 252.239–7016

TITLE TO TELECOMMUNICATION FACILITIES AND EQUIPMENT (DEC 1991)

(a) Title to all Contractor furnished facilities and equipment used under this agreement/contract shall remain with the Contractor even if the Government paid the costs of constructing the facilities or equipment. A mutually accepted communications service authorization may provide for exceptions.

(b) The Contractor shall operate and maintain all telecommunication facilities and equipment used under this agreement/contract whether the Government or the Contractor has title.

(End of clause)

252.239–7013 Obligation of the Government.

As prescribed in 239.7411(c), use the following clause:

OBLIGATION OF THE GOVERNMENT (JUL 2006)

(a) This basic agreement is not a contract. The Government incurs no monetary liability under this agreement.

(b) The Government incurs liability only upon issuance of a communication service authorization, which is the contract and incorporates the terms of this agreement.

(End of clause)

[71 FR 39011, July 11, 2006]

252.239–7014 Term of agreement.

As prescribed in 239.7411(c), use the following clause:

TERM OF AGREEMENT (DEC 1991)

(a) This agreement shall continue in force from year to year, unless terminated by either party by 60 days written notice.

(b) Termination of this agreement does not cancel any communication service authorizations previously issued.

(End of clause)

[71 FR 39011, July 11, 2006]

252.239–7015 Continuation of communication service authorizations.

As prescribed in 239.7411(c), use the following clause:

CONTINUATION OF COMMUNICATION SERVICE AUTHORIZATIONS (JUL 2006)

(a) All communication service authorizations issued by ______ incorporating Basic Agreement Number ______, dated ______, are modified to incorporate this basic agreement.

(b) Communication service authorizations currently in effect which were issued by the activity in paragraph (a) of this clause incorporating other agreements with the Contractor may also be modified to incorporate this agreement.

(c) This basic agreement is not a contract.

(End of clause)

[71 FR 39011, July 11, 2006]

252.239–7016 Telecommunications security equipment, devices, techniques, and services.

As prescribed in 239.7411(d), use the following clause:

TELECOMMUNICATIONS SECURITY EQUIPMENT, DEVICES, TECHNIQUES, AND SERVICES (DEC 1991)

(a) Definitions. As used in this clause—

(1) Securing means the application of Government-approved telecommunication security equipment, devices, techniques, or services to contractor telecommunications systems.

(2) Sensitive information means any information the loss, misuse, or modification of which, or unauthorized access to, could adversely affect the national interest or the conduct of Federal programs, or the privacy to which individuals are entitled under 5 U.S.C. 552a (the Privacy Act), but which has not been specifically authorized under criteria established by an Executive Order or Act of Congress to be kept secret in the interest of national defense or foreign policy.

(3) Telecommunications systems means voice, record, and data communications, including management information systems and local data networks that connect to external transmission media, when employed by Government agencies, contractors, and subcontractors to transmit—

(i) Classified or sensitive information;

(ii) Matters involving intelligence activities, cryptologic activities related to national security, the command and control of military forces, or equipment that is an integral part of a weapon or weapons system; or

(iii) Matters critical to the direct fulfillment of military or intelligence missions.

(b) This solicitation/contract identifies classified or sensitive information that requires securing during telecommunications and requires the Contractor to secure telecommunications systems. The Contractor agrees to secure information and systems at the following location: (Identify the location.)

(c) To provide the security, the Contractor shall use Government-approved telecommunications equipment, devices, techniques, or services. A list of the approved
equipment, etc. may be obtained from (identify where list can be obtained). Equipment, devices, techniques, or services used by the Contractor must be compatible or interoperable with (list and identify the location of any telecommunication security equipment, device, technique, or service currently being used by the technical or requirements organization or other offices with which the Contractor must communicate).

(d) Except as may be provided elsewhere in this contract, the Contractor shall furnish all telecommunications security equipment, devices, techniques, or services necessary to perform this contract. The Contractor must meet ownership eligibility conditions for communications security equipment designated as controlled cryptographic items.

(e) The Contractor agrees to include this clause, including this paragraph (e), in all subcontracts which require securing telecommunications.

(End of clause)

252.241–7000 Superseding contract.

As prescribed in 241.501–70(a), use the following clause:

SUPERSEDING CONTRACT (DEC 1991)

This contract supersedes contract No. , dated which provided similar services. Any capital credits accrued to the Government, any remaining credits due to the Government under the connection charge, or any termination liability are transferred to this contract, as follows:

CAPITAL CREDITS

(List years and accrued credits by year and separate delivery points.)

OUTSTANDING CONNECTION CHARGE CREDITS

(List by month and year the amount credited and show the remaining amount of outstanding credits due the Government.)

TERMINATION LIABILITY CHARGES

(List by month and year the amount of monthly facility cost recovered and show the remaining amount of facility cost to be recovered.)

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 63 FR 11549, Mar. 9, 1998]

252.241–7001 Government access.

As prescribed in 241.501–70(b), use the following clause:

GOVERNMENT ACCESS (DEC 1991)

Authorized representatives of the Government may have access to the Contractor’s on-base facilities upon reasonable notice or in case of emergency.

(End of clause)

[56 FR 36479, July 31, 1991, as amended at 63 FR 11549, Mar. 9, 1998]

252.242–7000—252.242–7002 [Reserved]


As prescribed in 242.1404–2–70, use the following clause:

APPLICATION FOR U.S. GOVERNMENT SHIPPING DOCUMENTATION/INSTRUCTIONS (DEC 1991)

The Contractor shall request Government bills of lading by submitting a DD Form 1659, Application for U.S. Government Shipping Documentation/Instructions, to the—

(a) Transportation Officer, if named in the contract schedule; or
(b) Contract administration office.

(End of clause)


252.242–7004 Material Management and Accounting System.

As prescribed in 242.7304, use the following clause:

MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM (MAY 2011)

(a) Definitions. As used in this clause—

(1) Material management and accounting system (MMAS) means the Contractor’s system or systems for planning, controlling, and accounting for the acquisition, use, issuing, and disposition of material. Material management and accounting systems may be manual or automated. They may be standalone systems or they may be integrated with planning, engineering, estimating, purchasing, inventory, accounting, or other systems.

(2) Valid time-phased requirements means material that is—

(i) Needed to fulfill the production plan, including reasonable quantities for scrap, shrinkage, yield, etc.; and

(ii) Charged/billed to contracts or other cost objectives in a manner consistent with the need to fulfill the production plan.
Defense Acquisition Regulations System, DOD 252.242–7004

(3) Contractor means a business unit as defined in section 31.001 of the Federal Acquisition Regulation (FAR).

(4) Acceptable material management and accounting system means a MMAS that generally complies with the system criteria in paragraph (d) of this clause.

(b) Significant deficiency means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) General. The Contractor shall—

(i) Maintain an MMAS that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goal is excessive in relation to the impact on the Government;

(ii) Ensure that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements; and

(iii) Ensures that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements; and

(c) Disclosure and maintenance requirements.

The Contractor shall—

1. Have policies, procedures, and operating instructions that adequately describe its MMAS;

2. Provide to the Administrative Contracting Officer (ACO), upon request, the results of internal reviews that it has conducted to ensure compliance with established MMAS policies, procedures, and operating instructions; and

3. Disclose significant changes in its MMAS to the ACO at least 30 days prior to implementation.

(d) System criteria. The MMAS shall have adequate internal controls to ensure system and data integrity, and shall—

1. Have an adequate system description including policies, procedures, and operating instructions that comply with the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement;

2. Ensure that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements as impacted by minimum/economic order quantity restrictions.

(i) A 98 percent bill of material accuracy and a 95 percent master production schedule accuracy are desirable as a goal in order to ensure that requirements are both valid and appropriately time-phased.

(ii) If systems have accuracy levels below these, the Contractor shall provide adequate evidence that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goals is excessive in relation to the impact on the Government;

(iii) Establish and maintain adequate levels of record accuracy, and include reconciliation of recorded inventory quantities to physical inventory by part number on a periodic basis. A 95 percent accuracy level is desirable. If systems have an accuracy level below 95 percent, the Contractor shall provide adequate evidence that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goal is excessive in relation to the impact on the Government;

(iv) Have an adequate system description including policies, procedures, and operating instructions that comply with the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement;

(v) Disclose significant changes in its MMAS to the ACO at least 30 days prior to implementation.

(e) System criteria. The MMAS shall have adequate internal controls to ensure system and data integrity, and shall—

1. Have an adequate system description including policies, procedures, and operating instructions that comply with the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement;

2. Ensure that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements as impacted by minimum/economic order quantity restrictions.

(i) A 98 percent bill of material accuracy and a 95 percent master production schedule accuracy are desirable as a goal in order to ensure that requirements are both valid and appropriately time-phased.

(ii) If systems have accuracy levels below these, the Contractor shall provide adequate evidence that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goals is excessive in relation to the impact on the Government;

3. Provide a mechanism to identify, report, and resolve system control weaknesses and manual override. Systems should identify operational exceptions, such as excess/residual inventory, as soon as known;

4. Provide audit trails and maintain records (manual and those in machine-readable form) necessary to evaluate system logic and to verify through transaction testing that the system is operating as desired;

5. Establish and maintain adequate levels of record accuracy, and include reconciliation of recorded inventory quantities to physical inventory by part number on a periodic basis. A 95 percent accuracy level is desirable. If systems have an accuracy level below 95 percent, the Contractor shall provide adequate evidence that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goal is excessive in relation to the impact on the Government;

6. Provide detailed descriptions of circumstances that will result in manual or system generated transfers of parts;

7. Maintain a consistent, equitable, and unbiased logic for costing of material transactions as follows:

(A) Parts are paid back expeditiously;

(B) Procedures and controls are in place to correct any overbilling that might occur;

(C) Monthly, at a minimum, identification of the borrowing contract and the date the part was borrowed; and

(D) The cost of the replacement part is charged to the borrowing contract;

8. Where allocations from common inventory accounts are used, have controls (in addition to those in paragraphs (d)(2) and (7) of this clause) to ensure that—
252.242–7005  Contractor business systems.

As prescribed in 242.7001, use the following clause:

CONTRACTOR BUSINESS SYSTEMS
(MAY 2011)

(a) Definitions. As used in this clause—
Acceptable contractor business systems means contractor business systems that comply with the terms and conditions of the applicable business system clauses listed in the definition of “contractor business systems” in this clause.

Contractor business systems means—
(1) Accounting system, if this contract includes the clause at 252.242–7006, Accounting System Administration;
(2) Earned value management system, if this contract includes the clause at 252.234–7002, Earned Value Management System;
(3) Estimating system, if this contract includes the clause at 252.215–7002, Cost Estimating System Requirements;
(4) Material management and accounting system, if this contract includes the clause at 252.242–7004, Material Management and Accounting System;
(5) Property management system, if this contract includes the clause at 252.240–7003, Contractor Property Management System Administration; and
(6) Purchasing system, if this contract includes the clause at 252.244–7001, Contractor Purchasing System Administration.

Significant deficiency, in the case of a contractor business system, means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) General. The Contractor shall establish and maintain acceptable business systems in accordance with the terms and conditions of this contract.

(c) Significant deficiencies.

(1) The Contractor shall respond, in writing, within 30 days to an initial determination that there are one or more significant deficiencies in one or more of the Contractor’s business systems.

(2) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the final determination concerning—
(i) Remaining significant deficiencies;
(ii) The adequacy of any proposed or completed corrective action; and
(iii) System disapproval if the Contracting Officer determines that one or more significant deficiencies remain.

(3) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.

(e) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor’s MMAS, and the contract includes the clause at 252.242–7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(End of clause)

[76 FR 28874, May 18, 2011]
significant deficiencies in a contractor business system required under this contract, the Contracting Officer will withhold five percent of amounts due from progress payments and performance-based payments, and direct the Contractor, in writing, to withhold five percent from its billings on interim cost vouchers on cost, labor-hour, and time-and-materials contracts until the Contracting Officer has determined that the Contractor has corrected all significant deficiencies as directed by the contracting officer's final determination. The Contractor shall, within 45 days of receipt of the notice, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies.

(2) If the Contractor submits an acceptable corrective action plan within 45 days of receipt of a notice of the Contracting Officer's intent to withhold payments, and the Contracting Officer, in consultation with the auditor or functional specialist, determines that the Contractor is effectively implementing such plan, the Contracting Officer will reduce withholding directly related to the significant deficiencies covered under the corrective action plan, to two percent from progress payments and performance-based payments, and direct the Contractor, in writing, to reduce the percentage withheld on interim cost vouchers to two percent until the Contracting Officer determines the Contractor has corrected all significant deficiencies as directed by the Contracting Officer's final determination. However, if at any time, the Contracting Officer determines that the Contractor has failed to follow the accepted corrective action plan, the Contracting Officer will increase withholding from progress payments and performance-based payments, and direct the Contractor, in writing, to increase the percentage withheld on interim cost vouchers to the percentage initially withheld, until the Contracting Officer determines that the Contractor has corrected all significant deficiencies as directed by the Contracting Officer's final determination.

(d) Payment withhold percentage limits.

(i) The total percentage of payments withheld on amounts due under each progress payment, performance-based payment, or interim cost voucher, on this contract shall not exceed—

(A) Five percent for one or more significant deficiencies in any single contractor business system; and

(B) Ten percent for significant deficiencies in multiple contractor business systems.

(ii) If this contract contains pre-existing withhold, and the application of any subsequent payment withhold will cause withholding under this clause to exceed the payment withhold percentage limits in paragraph (d)(i) of this clause, the Contracting Officer will reduce the payment withhold percentage in the final determination to an amount that will not exceed the payment withhold percentage limits.

(4) For the purpose of this clause, payment means any of the following payments authorized under this contract:

(i) Interim payments under—

(A) Cost-reimbursement contracts;

(B) Incentive type contracts;

(C) Time-and-materials contracts;

(D) Labor-hour contracts.

(ii) Progress payments.

(iii) Performance-based payments.

(5) Payment withholding shall not apply to payments on fixed-price line items where performance is complete and the items were accepted by the Government.

(6) The withholding of any amount or subsequent payment to the Contractor shall not be construed as a waiver of any rights or remedies the Government has under this contract.

(7) Notwithstanding the provisions of any clause in this contract providing for interim, partial, or other payment withholding on any basis, the Contracting Officer may withhold payment in accordance with the provisions of this clause.

(8) The payment withholding authorized in this clause is not subject to the interest-penalty provisions of the Prompt Payment Act.

(e) Correction of deficiencies. (1) The Contractor shall notify the Contracting Officer, in writing, when the Contractor has corrected the business system's deficiencies.

(2) Once the Contractor has notified the Contracting Officer that all deficiencies have been corrected, the Contracting Officer will take one of the following actions:

(i) If the Contracting Officer determines that the Contractor has corrected all significant deficiencies as directed by the Contracting Officer's final determination, the Contracting Officer will, as appropriate, discontinue the withholding of progress payments and performance-based payments, and direct the Contractor, in writing, to discontinue the payment withholding from billings on interim cost vouchers under this contract associated with the Contracting Officer's final determination, and authorize the Contractor to bill for any monies previously withheld that are not also being withheld due to other significant deficiencies. Any payment withholding under this contract due to other significant deficiencies, will remain in effect until the Contracting Officer determines that those significant deficiencies are corrected.

(ii) If the Contracting Officer determines that the Contractor still has significant deficiencies as directed by the Contracting Officer's final determination, the Contracting Officer will continue the withholding of progress payments and performance-based payments, and the Contractor shall continue withholding amounts from its billings on interim cost
252.242–7006

vouchers in accordance with paragraph (d) of this clause, and not bill for any monies previously withheld.

(iii) If, within 90 days of receipt of the Contractor notification that the Contractor has corrected the significant deficiencies, the Contracting Officer has not made a determination whether the Contractor has corrected all significant deficiencies as directed by the Contracting Officer’s final determination, or has not made a determination whether there is a reasonable expectation that the corrective actions have been implemented, the Contracting Officer will reduce withholding directly related to the significant deficiencies covered under the corrective action plan by at least 50 percent of the amount being withheld from progress payments and performance-based payments, and direct the Contractor, in writing, to reduce the percentage withheld on interim cost vouchers by at least 50 percent, until the Contracting Officer determines that the Contractor has correctly all significant deficiencies as directed by the Contracting Officer’s final determination, or has made a determination whether there is a reasonable expectation that the corrective actions have been implemented.

(iv) At any time after the Contracting Officer reduces or discontinues the withholding of progress payments and performance-based payments, or directs the Contractor to reduce or discontinue the payment withholding from billings on interim cost vouchers under this contract, if the Contracting Officer determines that the Contractor has failed to correct the significant deficiencies identified in the Contractor’s notification, the Contracting Officer will reinstate or increase withholding from progress payments and performance-based payments, and direct the Contractor, in writing, to reinstate or increase the percentage withheld on interim cost vouchers to the percentage initially withheld, until the Contracting Officer determines that the Contractor has corrected all significant deficiencies as directed by the Contracting Officer’s final determination.

(End of clause)

[76 FR 28875, May 18, 2011]

252.242–7006 Accounting system administration.

As prescribed in 242.7503, use the following clause:

ACCOUNTING SYSTEM ADMINISTRATION (MAY 2011)

(a) Definitions. As used in this clause—

(i) Applicable laws and regulations are complied with;

(ii) The accounting system and cost data are reliable;

(iii) Risk of misallocations and mischarges are minimized; and

(iv) Contract allocations and charges are consistent with billing procedures.

(b) General. The Contractor shall establish and maintain an acceptable accounting system. Failure to maintain an acceptable accounting system, as defined in this clause, shall result in the withholding of payments if the contract includes the clause at 252.242–7006, Contractor Business Systems, and also may result in disapproval of the system.

(c) System criteria. The Contractor’s accounting system shall provide for—

(1) A sound internal control environment, accounting framework, and organizational structure;

(2) Proper segregation of direct costs from indirect costs;

(3) Identification and accumulation of direct costs by contract;

(4) A logical and consistent method for the accumulation and allocation of indirect costs to intermediate and final cost objectives;

(5) Accumulation of costs under general ledger control;

(6) Reconciliation of subsidiary cost ledgers and cost objectives to general ledger;

(7) Approval and documentation of adjusting entries;

(8) Periodic monitoring of the system;

(9) A timekeeping system that identifies employees’ labor by intermediate or final cost objectives;

(10) A labor distribution system that charges direct and indirect labor to the appropriate cost objectives;

(11) Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account;

(12) Exclusion from costs charged to Government contracts of amounts which are not allowable in terms of Federal Acquisition Regulation (FAR) part 31, Contract Cost
Defense Acquisition Regulations System, DOD 252.243–7002

Principles and Procedures, and other contract provisions;
(13) Identification of costs by contract line item and by units (as if each unit or line item were a separate contract), if required by the contract;
(14) Segregation of preproduction costs from production costs, as applicable;
(15) Cost accounting information, as required—
(i) By contract clauses concerning limitation of cost (FAR 52.232–20), limitation of funds (FAR 52.232–22), or allowable cost and payment (FAR 52.216–7); and
(ii) To readily calculate indirect cost rates from the books of accounts;
(16) Billings that can be reconciled to the cost accounts for both current and cumulative amounts claimed and comply with contract terms;
(17) Adequate, reliable data for use in pricing follow-on acquisitions; and
(18) Accounting practices in accordance with standards promulgated by the Cost Accounting Standards Board, if applicable, otherwise, Generally Accepted Accounting Principles.

(d) Significant deficiencies.
(1) The Contracting Officer will provide an initial determination to the Contractor, in writing, on any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Contractor to understand the deficiency.
(2) The Contractor shall respond within 30 days to a written initial determination from the Contracting Officer that identifies significant deficiencies in the Contractor’s accounting system. If the Contractor disagrees with the initial determination, the Contractor shall state, in writing, its rationale for disagreeing.
(3) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the Contracting Officer’s final determination concerning—
(i) Remaining significant deficiencies;
(ii) The adequacy of any proposed or completed corrective action; and
(iii) System disapproval, if the Contracting Officer determines that one or more significant deficiencies remain.
(e) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.
(f) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor’s accounting system, and the contract includes the clause at 252.242–7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

252.243–7000 [Reserved]

252.243–7001 Pricing of contract modifications.

As prescribed in 243.205–70, use the following clause:
PRICING OF CONTRACT MODIFICATIONS (DEC 1991)

When costs are a factor in any price adjustment under this contract, the contract cost principles and procedures in FAR part 31 and DFARS part 231, in effect on the date of this contract, apply.

(End of clause)

252.243–7002 Requests for equitable adjustment.

As prescribed in 243.205–71, use the following clause:
REQUESTS FOR EQUITABLE ADJUSTMENT (MAR 1998)

(a) The amount of any request for equitable adjustment to contract terms shall accurately reflect the contract adjustment for which the Contractor believes the Government is liable. The request shall include only costs for performing the change, and shall not include any costs that already have been reimbursed or that have been separately claimed. All indirect costs included in the request shall be properly allocable to the change in accordance with applicable acquisition regulations.

(b) In accordance with 10 U.S.C. 2410(a), any request for equitable adjustment to contract terms that exceeds the simplified acquisition threshold shall bear, at the time of submission, the following certificate executed by an individual authorized to certify the request on behalf of the Contractor:

I certify that the request is made in good faith, and that the supporting data are accurate and complete to the best of my knowledge and belief.

(Official’s Name)

(Title)

(c) The certification in paragraph (b) of this clause requires full disclosure of all relevant facts, including—
(1) Cost or pricing data if required in accordance with subsection 15.403–4 of the Federal Acquisition Regulation (FAR); and
252.244–7000

(2) Information other than cost or pricing data, in accordance with subsection 15.403–3 of the FAR, including actual cost data and data to support any estimated costs, even if cost or pricing data are not required.

(d) The certification requirement in paragraph (b) of this clause does not apply to—

(1) Requests for routine contract payments; for example, requests for payment for accepted supplies and services, routine vouchers under a cost-reimbursement type contract, or progress payment invoices; or

(2) Final adjustment under an incentive provision of the contract.

(End of clause)


252.244–7000 Subcontracts for commercial items and commercial components (DoD contracts).

As prescribed in 244.403, use the following clause:

SUBCONTRACTS FOR COMMERCIAL ITEMS AND COMMERCIAL COMPONENTS (DOD CONTRACTS) (SEP 2011)

In addition to the clauses listed in paragraph (c) of the Subcontracts for Commercial Items clause of this contract (Federal Acquisition Regulation 52.244–6), the Contractor shall include the terms of the following clauses, if applicable, in subcontracts for commercial items or commercial components, awarded at any tier under this contract:

(a) 252.225–7009 Restriction on Acquisition of Certain Articles Containing Specialty Metals (JAN 2011) (10 U.S.C. 2533b).


(c) 252.227–7015, Technical Data—Commercial Items (SEP 2011), if applicable (see 227.7102–4(a)).

(d) 252.227–7037, Validation of Restrictive Markings on Technical Data (SEP 2011), if applicable (see 227.7102–4(c)).


(h) 252.246–7000 Notification of Potential Safety Issues (JAN 2007).


(End of clause)


252.244–7001 Contractor purchasing system administration.

As prescribed in 244.305–71, insert the following clause:

CONTRACTOR PURCHASING SYSTEM ADMINISTRATION (MAY 2011)

(a) Definitions. As used in this clause—

Acceptable purchasing system means a purchasing system that complies with the system criteria in paragraph (c) of this clause.

Purchasing system means the Contractor’s system or systems for purchasing and subcontracting, including make-or-buy decisions, the selection of vendors, analysis of quoted prices, negotiation of prices with vendors, placing and administering of orders, and expediting delivery of materials.

Significant deficiency means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) General. The Contractor shall establish and maintain an acceptable purchasing system. Failure to maintain an acceptable purchasing system, as defined in this clause, may result in disapproval of the system by the Contracting Officer and/or withholding of payments.

(c) System criteria. The Contractor’s purchasing system shall—

(1) Have an adequate system description including policies, procedures, and purchasing practices that comply with the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS);

(2) Ensure that all applicable purchase orders and subcontracts contain all flowdown clauses, including terms and conditions and any other clauses needed to carry out the requirements of the prime contract;

(3) Maintain an organization plan that establishes clear lines of authority and responsibility;

(4) Ensure all purchase orders are based on authorized requisitions and include a complete and accurate history of purchase transactions to support vendor selected, price paid, and document the subcontract/purchase order files which are subject to Government review;

524

48 CFR Ch. 2 (10–1–11 Edition)
Defense Acquisition Regulations System, DOD 252.244–7001

(5) Establish and maintain adequate documentation to provide a complete and accurate history of purchase transactions to support vendors selected and prices paid;

(6) Evaluate price, quality, delivery, technical capabilities, and financial capabilities of competing vendors to ensure fair and reasonable prices;

(7) Use competitive sourcing to the maximum extent practicable, and ensure debarred or suspended contractors are properly excluded from contract award;

(8) Evaluate price, quality, delivery, technical capabilities, and financial capabilities of competing vendors to ensure fair and reasonable prices;

(9) Require management level justification and adequate cost or price analysis, as applicable, for any sole or single source award;

(10) Perform timely and adequate cost or price analysis and technical evaluation for each subcontractor and supplier proposal or quote to ensure fair and reasonable subcontract prices;

(11) Document negotiations in accordance with FAR 15.406-3;

(12) Seek, take, and document economically feasible purchase discounts, including cash discounts, trade discounts, quantity discounts, rebates, freight allowances, and company-wide volume discounts;

(13) Ensure proper type of contract selection and prohibit issuance of cost-plus-a-percentage-of-cost subcontracts;

(14) Maintain subcontract surveillance to ensure timely delivery of an acceptable product and procedures to notify the Government of potential subcontract problems that may impact delivery, quantity, or price;

(15) Document and justify reasons for subcontract changes that affect cost or price;

(16) Notify the Government of the award of all subcontracts that contain the FAR and DFARS flowdown clauses that allow for Government audit of those subcontracts, and ensure the performance of audits of those subcontracts;

(17) Enforce adequate policies on conflict of interest, gifts, and gratuities, including the requirements of the Anti-Kickback Act;

(18) Perform internal audits or management reviews, training, and maintain policies and procedures for the purchasing department to ensure the integrity of the purchasing system;

(19) Establish and maintain policies and procedures to ensure purchase orders and subcontracts contain mandatory and applicable flowdown clauses, as required by the FAR and DFARS, including terms and conditions required by the prime contract and any clauses required to carry out the requirements of the prime contract;

(20) Provide for an organizational and administrative structure that ensures effective and efficient procurement of required quality materials and parts at the best value from responsible and reliable sources;

(21) Establish and maintain selection processes to ensure the most responsive and responsible sources for furnishing required quality parts and materials and to promote competitive sourcing among dependable suppliers so that purchases are reasonably priced and from sources that meet contractor quality requirements;

(22) Establish and maintain procedures to ensure performance of adequate price or cost analysis on purchasing actions;

(23) Establish and maintain procedures to ensure that proper types of subcontracts are selected, and that there are controls over subcontracting, including oversight and surveillance of subcontracted effort; and

(24) Establish and maintain procedures to timely notify the Contracting Officer, in writing, if—

(i) The Contractor changes the amount of subcontract effort after award such that it exceeds 70 percent of the total cost of the work to be performed under the contract, task order, or delivery order. The notification shall identify the revised cost of the subcontract effort and shall include verification that the Contractor will provide added value; or

(ii) Any subcontractor changes the amount of lower-tier subcontractor effort after award such that it exceeds 70 percent of the total cost of the work to be performed under its subcontract. The notification shall identify the revised cost of the subcontract effort and shall include verification that the subcontractor will provide added value as related to the work to be performed by the lower-tier subcontractor(s).

(d) Significant deficiencies. (1) The Contracting Officer will provide notification of initial determination to the Contractor, in writing, of any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Contractor to understand the deficiency.

(2) The Contractor shall respond within 30 days to a written initial determination from the Contracting Officer that identifies significant deficiencies in the Contractor’s purchasing system. If the Contractor disagrees with the initial determination, the Contractor shall, in writing, its rationale for disagreeing.

(3) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the Contracting Officer’s final determination concerning—

(i) Remaining significant deficiencies;

(ii) The adequacy of any proposed or completed corrective action; and

(iii) System disapproval, if the Contracting Officer determines that one or more significant deficiencies remain.

(e) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall,
within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the deficiencies.

(f) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor's purchasing system, and the contract includes the clause at 252.242-7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(End of clause)

[76 FR 28877, May 18, 2011]

252.245–7000 Government-furnished mapping, charting, and geodesy property.

As prescribed in 245.107(a), use the following clause:

GOVERNMENT-FURNISHED MAPPING, CHARTING, AND GEODESY PROPERTY (DEC 1991)

(a) Definition—Mapping, charting, and geodesy (MC&G) property means geodetic, geomagnetic, gravimetric, aeronautical, topographic, hydrographic, cultural, and toponymic data presented in the form of topographic, planimetric, relief, or thematic maps and graphics; nautical and aeronautical charts and publications; and in simulated, photographic, digital, or computerized formats.

(b) The Contractor shall not duplicate, copy, or otherwise reproduce MC&G property for purposes other than those necessary for performance of the contract.

(c) At the completion of performance of the contract, the Contractor, as directed by the Contracting Officer, shall either destroy or return to the Government all Government-furnished MC&G property not consumed in the performance of this contract.

(End of clause)


252.245–7001 Tagging, labeling, and marking of government-furnished property

As prescribed in 245.107(b), use the following clause:

TAGGING, LABELING, AND MARKING OF GOVERNMENT-FURNISHED PROPERTY (FEB 2011)

(a) Definitions. As used in this clause—

Government-furnished property is defined in the clause at FAR 52.245–1, Government Property.

Serially-managed item means an item designated by DoD to be uniquely tracked, controlled, or managed in maintenance, repair, and/or supply systems by means of its serial number.

(b) The Contractor shall tag, label, or mark Government-furnished property items identified in the contract as subject to serialized item management (serially-managed items).

(c) The Contractor is not required to tag, label, or mark Government-furnished property previously tagged, labeled, or marked.

(End of clause)

[76 FR 6006, Feb. 2, 2011]


As prescribed in 245.107(c), use the following clause:

REPORTING LOSS OF GOVERNMENT PROPERTY (FEB 2011)

(a) Definitions. As used in this clause—

Government property is defined in the clause at FAR 52.245–1, Government Property.

Loss of Government property means unintended, unforeseen, or accidental loss, damage, or destruction of Government property that reduces the Government’s expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear, or manufacturing defects. Loss of Government property includes, but is not limited to—

(1) Items that cannot be found after a reasonable search;
(2) Theft;
(3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
(4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

Unit acquisition cost means—

(1) For Government-furnished property, the dollar value assigned by the Government and identified in the contract; and
(2) For Contractor-acquired property, the cost derived from the Contractor’s records that reflect consistently applied, generally acceptable accounting principles.


(2) Unless otherwise provided for in this contract, the requirements of paragraph
(b)(1) of this clause do not apply to normal and reasonable inventory adjustments, i.e., losses of low-risk consumable material such as common hardware, as agreed to by the Contractor and the Government Property Administrator. Such losses are typically a product of normal process variation. The Contractor shall ensure that its property management system provides adequate management control measures, e.g., statistical process controls, as a means of managing such variation.

(3) The Contractor shall report losses of Government property outside normal process variation, e.g., losses due to—
   (i) Theft;
   (ii) Inadequate storage;
   (iii) Lack of physical security; or

(4) This reporting requirement does not change any liability provisions or other reporting requirements that may exist under this contract.

(End of clause)  

252.245–7003 Contractor Property Management System Administration.

As prescribed in 245.107, insert the following clause:

CONTRACTOR PROPERTY MANAGEMENT SYSTEM ADMINISTRATION (MAY 2011)

(a) Definitions. As used in this clause—
   Acceptable property management system means a property system that complies with the system criteria in paragraph (c) of this clause.

   Property management system means the Contractor’s system or systems for managing and controlling Government property.

   Significant deficiency means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

   General. The Contractor shall establish and maintain an acceptable property management system. Failure to maintain an acceptable property management system, as defined in this clause, may result in disapproval of the system by the Contracting Officer and/or withholding of payments.

   (c) System criteria. The Contractor’s property management system shall be in accordance with paragraph (f) of the contract clause at Federal Acquisition Regulation 52.245–1.

   (d) Significant deficiencies. (1) The Contracting Officer will provide an initial determination to the Contractor, in writing, of any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Contractor to understand the deficiency.

   (2) The Contractor shall respond within 30 days to a written initial determination from the Contracting Officer that identifies significant deficiencies in the Contractor’s property management system. If the Contractor disagrees with the initial determination, the Contractor shall state, in writing, its rationale for disagreeing.

   (3) The Contracting Officer will evaluate the Contractor’s response and notify the Contractor, in writing, of the Contracting Officer’s final determination concerning—

   (i) Remaining significant deficiencies;

   (ii) The adequacy of any proposed or completed corrective action; and

   (iii) System disapproval, if the Contracting Officer determines that one or more significant deficiencies remain.

   (e) If the Contractor receives the Contracting Officer’s final determination of significant deficiencies, the Contractor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.

   (f) Withholding payments. If the Contracting Officer makes a final determination to disapprove the Contractor’s property management system, leading to a potential risk of harm to the Government, and the contract includes the clause at 252.242–7005, Contractor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(End of clause)  

252.245–7004 Reporting, Reutilization, and Disposal.

As prescribed in 245.107(e), use the following clause:

REPORTING, REUTILIZATION, AND DISPOSAL (AUG 2011)

(a) Definitions. As used in this clause—

   (1) Demilitarization means the act of eliminating the functional capabilities and inherent military design features from DoD personal property. Methods and degree range from removal and destruction of critical features to total destruction by cutting, tearing, crushing, mangling, shredding, melting, burning, etc.

   (2) Export-controlled items means items subject to the Export Administration Regulations (EAR) (15 CFR parts 730–774) or the International Traffic in Arms Regulations (ITAR) (22 CFR parts 120–130). The term includes—

527
(i) Defense items, defined in the Arms Export Control Act, 22 U.S.C. 2778(j)(1)(A), as defense articles, defense services, and related technical data, etc.; and
(ii) Items, defined in the EAR as “commodities,” “software,” and “technology,” terms that are also defined in the EAR, 15 CFR 772.1.

(b) Ineligible transferees means individuals, entities, or countries—
(i) Excluded from Federal programs by the General Services Administration as identified in the Excluded Parties Listing System (EPLS) (https://www.epls.gov/);
(ii) Delinquent on obligations to the U.S. Government under surplus sales contracts;
(iii) Designated by the Department of Defense as ineligible, debarred, or suspended from defense contracts; or
(iv) Subject to denial, debarment, or other sanctions under export control laws and related laws and regulations, and orders administered by the Department of State, the Department of Commerce, the Department of Homeland Security, or the Department of the Treasury.

(c) Scrap means property that has no value except for its basic material content. For purposes of demilitarization, scrap is defined as recyclable waste and discarded materials derived from items that have been rendered useless beyond repair, rehabilitation, or restoration such that the item's original identity, utility, form, fit, and function have been destroyed. Items can be classified as scrap if processed by cutting, tearing, crushing, mangling, shredding, or melting. Intact or recognizable components and parts are not “scrap.”

(d) Serviceable or usable property means property with potential for reutilization or sale “as is” or with minor repairs or alterations.

(e) Inventory disposal schedules. Unless disposition instructions are otherwise included in this contract, the Contractor shall complete SF 1428, Inventory Schedule B, within the Plant Clearance Automated Reutilization Screening System (PCARSS). Information on PCARSS can be obtained from the plant clearance officer and at http://www.dcmia.mil/ITCSO/CBT/PCARSS/index.cfm.

(i) The SF 1428 shall contain the following:
(1) If known, the applicable Federal Supply Code (FSC) for all items, except items in scrap condition.
(2) If known, the manufacturer name for all aircraft components under Federal Supply Group (FSG) 18 or 17 and FSCs 2920, 3810, 2915, 2929, 2935, 2945, 2995, 4920, 5821, 5826, 5841, 6340, and 6615.
(3) If the manufacturer name, make, model number, model year, and serial number for all aircraft under FSCs 1510 and 1530.
(iv) Appropriate Federal Condition Codes. See Appendix 2 of DoD 4800.25–2, Military Standard Transaction Reporting and Accounting Procedures manual, edition in effect as of the date of this contract. Information on Federal Condition Codes can be obtained at http://www.DLA.Mil/J–6/DLMSO/Elibrary/Mansuals/Militrap/AF.

(i) If the schedules are acceptable, the plant clearance officer shall complete and send the Contractor a DD Form 1637, Notice of Acceptance of Inventory.

(ii) Proceeds from sales of surplus property. Unless otherwise provided in the contract, the proceeds of any sale, purchase, or retention shall be—
(1) Forwarded to the Contracting Officer;
(2) Credited to the Government as part of the settlement agreement;
(3) Credited to the price or cost of the contract; or
(4) Applied as otherwise directed by the Contracting Officer.

(iii) Demilitarization, mutilation, and destruction. If demilitarization, mutilation, or destruction of contractor inventory is required, the Contractor shall demilitarize, mutilate, or destroy contractor inventory, in accordance with the terms and conditions of the contract and consistent with Defense Demilitarization Manual, DoDM 4500.28–M, edition in effect as of the date of this contract. The plant clearance officer may authorize the purchaser to demilitarize, mutilate, or destroy as a condition of sale provided the property is not inherently dangerous to public health and safety.

(iv) Classified Contractor inventory. The Contractor shall dispose of classified contractor inventory in accordance with applicable security guides and regulations or as directed by the Contracting Officer.

(v) Inherently dangerous Contractor inventory. Contractor inventory dangerous to public health or safety shall not be disposed of unless rendered innocuous or until adequate safeguards are provided.

(f) Contractor inventory located in foreign countries. Consistent with contract terms and conditions, property disposition shall be in accordance with foreign and U.S. laws and regulations, including laws and regulations involving export controls, host nation requirements, Final Governing Standards, and Government-to-Government agreements. The Contractor's responsibility to comply with all applicable laws and regulations regarding export-controlled items exists independent of, and is not established or limited by, the information provided by this clause.

(g) Disposal of scrap. (1) Contractor with scrap procedures. (i) The Contractor shall include within its property management procedures, a process for the accountability and management of Government-owned scrap. The process shall, at a minimum, provide for the effective and efficient disposition of scrap, including sales to scrap dealers, so as to minimize costs, maximize sales proceeds, and, contain the necessary internal controls.
for mitigating the improper release of non-scrap property.

(ii) The Contractor may commingle Government and contractor-owned scrap and provide for routine disposal of scrap, with plant clearance officer concurrence, when determined to be effective and efficient.

(2) Scrap warranty. The plant clearance officer may require the Contractor to secure from scrap buyers a DD Form 1639, Scrap Warranty.

(i) Sale of surplus Contractor inventory. (1) The Contractor shall conduct sales of contractor inventory (both useable property and scrap) in accordance with the requirements of this contract and plant clearance officer direction.

(2) Any sales contracts or other documents transferring title shall include the following statement:

"The Purchaser certifies that the property covered by this contract will be used in (name of country). In the event of resale or export by the Purchaser of any of the property, the Purchaser agrees to obtain the appropriate U.S. and foreign export or re-export license approval."

(2) Restrictions on purchase or retention of Contractor inventory. (1) The Contractor may not knowingly sell the inventory to any person or that person's agent, employee, or household member if that person—

(i) Is a civilian employee of the DoD or the U.S. Coast Guard;

(ii) Is a member of the armed forces of the United States, including the U.S. Coast Guard; or

(iii) Has any functional or supervisory responsibilities for or within the DoD's property disposal/disposition or plant clearance programs or for the disposal of contractor inventory.

(2) The Contractor may conduct Internet-based sales, to include use of a third party. The Contractor shall submit, either electronically or manually, two copies of the bid abstract.

(3) If the Contractor wishes to bid on the sale, the Contractor or its employees shall submit bids to the plant clearance officer prior to soliciting bids from other prospective bidders.

(4) The Contractor shall solicit a sufficient number of bidders to obtain adequate competition. Informal bid procedures shall be used, unless the plant clearance officer directs otherwise. The Contractor shall include in its invitation for bids, the sales terms and conditions provided by the plant clearance officer.

(5) The Contractor shall solicit bids at least 15 calendar days before bid opening to allow adequate opportunity to inspect the property and prepare bids.

(6) For large sales, the Contractor may use summary lists of items offered as bid sheets with detailed descriptions attached.

(7) In addition to mailing or delivering notice of the proposed sale to prospective bidders, the Contractor may (when the results are expected to justify the additional expense) display a notice of the proposed sale in appropriate public places, e.g., publish a sales notice on the Internet in appropriate trade journals or magazines and local newspapers.

(8) The plant clearance officer or representative will witness the bid opening. The Contractor shall submit, either electronically or manually, two copies of the bid abstract.

(9) The following terms and conditions shall be included in sales contracts involving the demilitarization, mutilation, or destruction of property:

(i) Demilitarization, mutilation, or destruction on Contractor or subcontractor premises. Item(s) require demilitarization, mutilation, or destruction by the Purchaser. Insert item number(s) and specific demilitarization, mutilation, or destruction requirements for item(s) shown in Defense Demilitarization Manual, DoDM 4160.28-M, edition in effect as of the date of this contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(ii) Demilitarization, mutilation, or destruction on Contractor or subcontractor premises. (A) Item(s) require demilitarization, mutilation, or destruction by the Purchaser. Insert item number(s) and specific demilitarization, mutilation, or destruction requirements for item(s) shown in Defense Demilitarization Manual, DoDM 4160.28-M, edition in effect as of the date of this contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(B) Property requiring demilitarization shall not be removed, and title shall not pass to the Purchaser, until demilitarization has been accomplished and verified by a Government representative. Demilitarization will be accomplished as specified in the sales contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(C) The Purchaser agrees to assume all costs incident to the demilitarization and to restore the working area to its present condition after removing the demilitarized property.

(iii) Failure to demilitarize. If the Purchaser fails to demilitarize, mutilate, or destroy the property as specified in the contract, the Contractor may, upon giving 10 days written notice from date of mailing to the Purchaser—

(A) Repossess, demilitarize, and return the property to the Purchaser, in which case the Contractor hereby agrees to pay to the Contractor, prior to the return of the property, all costs incurred by the Contractor in repossessing, demilitarizing, and returning the property;
(B) Repossesses, demilitarize, and resell the property, and charge the defaulting Purchaser with all costs incurred by the Contractor. The Contractor shall deduct these costs from the purchase price and refund the balance of the purchase price, if any, to the Purchaser. In the event the costs exceed the purchase price, the defaulting Purchaser hereby agrees to pay these costs to the Contractor; or
(C) Repossesses and resell the property under similar terms and conditions. In the event this option is exercised, the Contractor shall charge the defaulting Purchaser with all costs incurred by the Contractor. The Contractor shall deduct these costs from the original purchase price and refund the balance of the purchase price, if any, to the defaulting Purchaser. Should the excess costs to the Contractor exceed the purchase price, the defaulting Purchaser hereby agrees to pay these costs to the Contractor.

(End of clause)

[76 FR 52143, Aug. 19, 2011]

48 CFR Ch. 2 (10–1–11 Edition)

252.246–7000 Warranty of data.

As prescribed in 246.710 (1), use the following clause:

WARRANTY OF DATA (DEC 1991)

(a) Definition—Technical data has the same meaning as given in the clause in this contract entitled, Rights in Technical Data and Computer Software.
(b) Warranty. Notwithstanding inspection and acceptance by the Government of technical data furnished under this contract, and notwithstanding any provision of this contract concerning the conclusiveness of acceptance, the Contractor warrants that all technical data delivered under this contract will at the time of delivery conform with the specifications and all other requirements of this contract. The warranty period shall extend for three years after completion of the delivery of the line item of data (as identified in DD Form 1423, Contract Data Requirements List) of which the data forms a part; or any longer period specified in the contract.
(c) Contractor notification. The Contractor agrees to notify the Contracting Officer in writing immediately of any breach of the warranty which the Contractor discovers within the warranty period.
(d) Remedies. The following remedies shall apply to all breaches of the warranty, whether the Contractor notifies the Contracting Officer in accordance with paragraph (c) of this clause or if the Government notifies the Contractor of the breach in writing within the warranty period:
(1) Within a reasonable time after such notification the Contractor may—
(i) By written notice, direct the Contractor to correct or replace at the Contractor’s expense the nonconforming technical data promptly; or
(ii) If the Contracting Officer determines that the Government no longer has a requirement for correction or replacement of the data, or that the data can be more reasonably corrected by the Government, inform the Contractor by written notice that the Government elects a price or fee adjustment instead of correction or replacement.
(2) If the Contractor refuses or fails to comply with a direction under paragraph (d)(1)
(i) By contract or otherwise, correct or replace the nonconforming technical data promptly; or
(ii) Elect a price or fee adjustment instead of correction or replacement.
(3) The remedies in this clause represent the only way to enforce the Government’s rights under this clause.
(e) The provisions of this clause apply anew to that portion of any corrected or replaced technical data furnished to the Government under paragraph (d)(1)(i) of this clause.

(End of clause)

Alternate I (DEC 1991). As prescribed in 246.710(2), substitute the following for paragraph (d)(3) of the basic clause:

(3) In addition to the remedies under paragraphs (d)(1) and (2) of this clause, the Contractor shall be liable to the Government for all damages to the Government as a result of the breach of warranty.

(i) The additional liability under paragraph (d)(3) of this clause shall not exceed 75 percent of the target profit.

(ii) If the breach of the warranty is with respect to the data supplied by an equipment subcontractor, the limit of the Contractor’s liability shall be—

(A) Ten percent of the total subcontract price in a fixed-price subcontract; 
(B) Seventy-five percent of the total subcontract price in a cost-plus-fixed-fee or cost-plus-award-fee subcontract; or
(C) Seventy-five percent of the total subcontract target profit or fee in a fixed-price or cost-plus-incentive-type contract.

(iii) Damages due the Government under the provisions of this warranty are not an allowable cost.

(iv) The additional liability in paragraph (d)(3) of this clause shall not apply—

(A) With respect to the requirements for product drawings and associated lists, special inspection equipment (SIE) drawings and associated lists, special tooling drawings and associated lists, SIE operating instructions, SIE descriptive documentation, and SIE calibration procedures under MIL-T-31000, General Specification for Technical Data Packages, Amendment 1, or MIL-T-47500, General Specification for Technical Data Packages, Supp 1, or drawings and associated lists under level 2 or level 3 of MIL-D-1000A, Engineering and Associated Data Drawings, or DoD-D-1000B, Engineering and Associated Lists Drawings (Inactive for New Design) Amendment 4, Notice 1; or drawings and associated lists under category E or I of MIL-D-1000, Engineering and Associated Lists Drawings, provided that the data furnished by the Contractor was current, accurate at time of submission, and did not involve a significant omission of data necessary to comply with the requirements; or
(B) To defects the Contractor discovers and gives written notice to the Government before the Government discovers the error.

Alternate II (DEC 1991). As prescribed at 246.710(3), substitute the following paragraph for paragraph (d)(3) of the basic clause:

(3) In addition to the remedies under paragraphs (d)(1) and (2) of this clause, the Contractor shall be liable to the Government for all damages to the Government as a result of the breach of warranty.

(i) The additional liability under paragraph (d)(3) of this clause shall not exceed 10 percent of the total contract price.

(ii) If the breach of the warranty is with respect to the data supplied by an equipment subcontractor, the limit of the Contractor’s liability shall be—

(A) Ten percent of the total subcontract price in a fixed-price subcontract; 
(B) Seventy-five percent of the total subcontract price in a cost-plus-fixed-fee or cost-plus-award-fee subcontract; or
(C) Seventy-five percent of the total subcontract target profit or fee in a fixed-price or cost-plus-incentive-type contract.

(iii) The additional liability specified in paragraph (d)(3) of this clause shall not apply—

(A) With respect to the requirements for product drawings and associated lists, special inspection equipment (SIE) drawings and associated lists, special tooling drawings and associated lists, SIE operating instructions, SIE descriptive documentation, and SIE calibration procedures under MIL-T-31000, General Specification for Technical Data Packages, Amendment 1, or MIL-T-47500, General Specification for Technical Data Packages, Supp 1, or drawings and associated lists under level 2 or level 3 of MIL-D-1000A, Engineering and Associated Data Drawings, or DoD-D-1000B, Engineering and Associated Lists Drawings (Inactive for New Design) Amendment 4, Notice 1; or drawings and associated lists under category E or I of MIL-D-1000, Engineering and Associated Lists Drawings, provided that the data furnished by the Contractor was current, accurate at time of submission, and did not involve a significant omission of data necessary to comply with the requirements; or
(B) To defects the Contractor discovers and gives written notice to the Government before the Government discovers the error.

252.246–7002 Warranty of construction (Germany).

As prescribed in 246.710(4), use the following clause:

WARRANTY OF CONSTRUCTION (GERMANY) (JUN 1997)

(a) In addition to any other representations in this contract, the Contractor warrants, except as provided in paragraph (j) of this clause, that the work performed under this contract conforms to the contract requirements and is free of any defect of equipment, material, or design furnished or workmanship performed by the Contractor or any subcontractor or supplier at any tier.

(b) This warranty shall continue for the period(s) specified in Section 13, VOB, Part B,
commencing from the date of final acceptance of the work under this contract. If the Government takes possession of any part of the work before final acceptance, this warranty shall continue for the period specified in Section 13, VOB, Part B, from the date the Government takes possession.

(c) The Contractor shall remedy, at the Contractor’s expense, any failure to conform or any defect. In addition, the Contractor shall remedy, at the Contractor’s expense, any damage to Government-owned or supplier-controlled real or personal property when that damage is the result of—

1. The Contractor’s failure to conform to contract requirements; or
2. Any defect of equipment, material, or design furnished or workmanship performed.

(d) The Contractor shall restore any work damaged in fulfilling the terms and conditions of this clause.

(e) The Contracting Officer shall notify the Contractor, in writing, within a reasonable period of time after the discovery of any failure, defect, or damage.

(f) If the Contractor fails to remedy any failure, defect, or damage within a reasonable period of time after receipt of notice, the Government shall have the right to replace, repair, or otherwise remedy the failure, defect, or damage at the Contractor’s expense.

(g) With respect to all warranties, express or implied, from subcontractors, manufacturers, or suppliers for work performed and materials furnished under this contract, the Contractor shall—

1. Obtain all warranties that would be given in normal commercial practice;
2. Require all warranties to be executed in writing, for the benefit of the Government, if directed by the Contracting Officer; and
3. Enforce all warranties for the benefit of the Government as directed by the Contracting Officer.

(h) In the event the Contractor’s warranty under paragraph (b) of this clause has expired, the Government may bring suit at its expense to enforce a subcontractor’s, manufacturer’s, or supplier’s warranty.

(i) Unless a defect is caused by the Contractor’s negligence, or the negligence of a subcontractor or supplier at any tier, the Contractor shall not be liable for the repair of any defects of material or design furnished by the Government or for the repair of any damage resulting from any defect in Government-furnished material or design.

(j) This warranty shall not limit the Government’s right under the Inspection clause of this contract, with respect to latent defects, gross mistakes, or fraud.

(END OF CLAUSE)

532
(2) Shall facilitate direct communication between the Government and the subcontractor as necessary.

(e) Notification of safety issues under this clause shall be considered neither an admission of responsibility nor a release of liability for the defect or its consequences. This clause does not affect any right of the Government or the Contractor established elsewhere in this contract.

(f)(1) The Contractor shall include the substance of this clause, including this paragraph (f), in subcontracts for—

(i) Parts identified as critical safety items;

(ii) Systems and subsystems, assemblies, and subassemblies integral to a system; or

(iii) Repair, maintenance, logistics support, or overhaul services for systems and subsystems, assemblies, subassemblies, and parts integral to a system.

(2) For those subcontracts described in paragraph (f)(1) of this clause, the Contractor shall require the subcontractor to provide the notification required by paragraph (c) of this clause to—

(i) The Contractor or higher-tier subcontractor; and

(ii) The ACO and the PCO, if the subcontractor is aware of the ACO and the PCO for the contract.

(End of clause)

[72 FR 2636, Jan. 22, 2007]


As prescribed in 246.270–4, use the following clause:

SAFETY OF FACILITIES, INFRASTRUCTURE, AND EQUIPMENT FOR MILITARY OPERATIONS (OCT 2010)

(a) Definition. Discipline Working Group, as used in this clause, means representatives from the DoD Components, as defined in MIL–STD–3007F, who are responsible for the unification and maintenance of the Unified Facilities Criteria (UFC) documents for a particular discipline area.

(b) The Contractor shall ensure, consistent with the requirements of the applicable inspection clause in this contract, that the facilities, infrastructure, and equipment acquired, constructed, installed, repaired, maintained, or operated under this contract comply with Unified Facilities Criteria (UFC) 1–200–01 for—

(1) Fire protection;

(2) Structural integrity;

(3) Electrical systems;

(4) Plumbing;

(5) Water treatment;

(6) Waste disposal; and

(7) Telecommunications networks.

(c) The Contractor may apply a standard equivalent to or more stringent than UFC 1–200–01 upon a written determination of the acceptability of the standard by the Contracting Officer with the concurrence of the relevant Discipline Working Group.

(End of clause)

[75 FR 66685, Oct. 29, 2010]

252.246–7005 Notice of Warranty Tracking of Serialized Items.

As prescribed in 246.710(5)(1)(A), use the following provision:

NOTICE OF WARRANTY TRACKING OF SERIALIZED ITEMS (JUN 2011)

(a) Definition. Unique item identifier and warranty tracking are defined in the clause at 252.246–7006, Warranty Tracking of Serialized Items.

(b) Reporting of data for warranty tracking and administration. The offeror shall provide the information required by Attachment _ Warranty Tracking Information, (indicated by a single asterisk (*)), on each contract line item number, subline item number, or exhibit line item number for warranted items. The offeror shall provide all information required by Attachment _ Warranty Repair Source Instruction, prior to, but not later than when the warranted items are presented for receipt and/or acceptance. The “Warranty Item Unique Item Identifier data category may also be completed in conjunction with Attachment _ Warranty Repair Source Instruction. Information required in the warranty attachment shall include such information as duration, enterprise, enterprise identifier, first use, fixed expiration, installation, issuing agency, item type, starting event, serialized item, unique item identifier, usage, warranty administrator, warranty guarantor, warranty repair source, and warranty tracking. The offeror shall submit the data for warranty tracking to the Contracting Officer.

(End of provision)

[76 FR 33170, June 8, 2011]

252.246–7006 Warranty Tracking of Serialized Items.

As prescribed in 246.710(5)(1)(B), use the following clause:

WARRANTY TRACKING OF SERIALIZED ITEMS (JUN 2011)

(a) Definitions. As used in this clause—

Duration means the warranty period. This period may be a stated period of time,
amount of usage, or the occurrence of a specified event, after formal acceptance of delivery, for the Government to assert a contractual right for the correction of defects.

**Enterprise** means the entity (e.g., a manufacturer or vendor) responsible for granting the warranty and/or assigning unique item identifiers to serialized warranty items.

**Enterprise identifier** means a code that is uniquely assigned to an enterprise by an issuing agency.

**First use** means the initial or first-time use of a product by the Government.

**Fixed expiration** means the date the warranty expires and the Contractor’s obligation to provide for a remedy or corrective action ends.

**Installation** means the date a unit is inserted into a higher level assembly in order to make that assembly operational.

**Issuing agency** means an organization responsible for assigning a globally unique identifier to an enterprise (e.g., Dun & Bradstreet’s Data Universal Numbering System (DUNS) Number, GS1 Company Prefix, Allied Committee 135 NATO Commercial and Government Entity (NCAGE) Code, and the Coded Representation of the North American Telecommunications Industry Manufacturers, Suppliers, and Related Service Companies (ATIS-0322000) Number), European Health Industry Business Communication Council (EHIBCC) and Health Industry Business Communication Council (HIBCC), as indicated in the Register of Issuing Agency Codes for ISO/IEC 15499, located at [http://www.nen.nl/web/Normen-ontwikkelen/ISOIEC-15499-Issuing-Agency-Codes.htm](http://www.nen.nl/web/Normen-ontwikkelen/ISOIEC-15499-Issuing-Agency-Codes.htm).

**Item type** means a coded representation of the description of the item being warranted, consisting of the codes C—component procured separate from end item, S—subassembly procured separate from end item or subassembly, E—embedded in component, subassembly or end item parent, and P—parent end item.

**Starting event** means the event or action that initiates the warranty.

**Serialized item** means each item produced is assigned a serial number that is unique among all the collective tangible items produced by the enterprise, or each item of a particular part, lot, or batch number is assigned a unique serial number within that part, lot, or batch number assignment within the enterprise identifier. The enterprise is responsible for ensuring unique serialization within the enterprise identifier or within the part, lot, or batch numbers, and that serial numbers, once assigned, are never used again.

**Unique item identifier** means a set of data elements marked on an item that is globally unique and unambiguous.

**Usage** means the quantity and an associated unit of measure that specifies the amount of a characteristic subject to the contractor’s obligation to provide for remedy or corrective action, such as a number of miles, hours, or cycles.

**Warranty administrator** means the organization specified by the guarantor for managing the warranty.

**Warranty guarantor** means the enterprise that provides the warranty under the terms and conditions of a contract.

**Warranty repair source** means the organization specified by a warranty guarantor for receiving and managing warranty items that are returned by a customer.

**Warranty tracking** means the ability to trace a warranted item from delivery through completion of the effectiveness of the warranty.

(b) **Reporting of data for warranty tracking and administration.** The Contractor shall provide all information required by Attachment ___. Warranty Tracking Information on each contract line item number, subline item number, or exhibit line item number for warranted items. The Contractor shall provide all information required by Attachment ___. Warranty Repair Source Instructions, prior to, but not later than when the warranted items are presented for receipt and/or acceptance. The “Warranty Item Unique Item Identifier” data category may also be completed in conjunction with Attachment ___. Warranty Repair Source Instructions. Information required in the warranty attachment shall include such information as duration, enterprise, enterprise identifier, first use, fixed expiration, installation, issuing agency, item type, starting event, serialized item, unique item identifier, usage, warranty administrator, warranty guarantor, warranty repair source, and warranty tracking. The Contractor shall submit the data for warranty tracking to the Contracting Officer with a copy to the requiring activity and the Contracting Officer Representative.

(c) **Reservation of rights.** The terms of this clause shall not be construed to limit the Government’s rights or remedies under any other contract clause.

(End of clause)

(76 FR 33170, June 8, 2011)

### 252.247-7000 Hardship conditions.

As prescribed in 247.270-4(a), use the following clause:

**HARDSHIP CONDITIONS (AUG 2000)**

(a) If the Contractor finds unusual ship, dock, or cargo conditions associated with loading or unloading a particular cargo, that will work a hardship on the Contractor if loaded or unloaded at the basic commodity rates, the Contractor shall—

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(1) Notify the Contracting Officer before performing the work, if feasible, but no later than the vessel sailing time; and

(2) Submit any associated request for price adjustment to the Contracting Officer within 10 working days of the vessel sailing time.

(b) Unusual conditions include, but are not limited to, inaccessibility of place of stowage to the ship's cargo gear, side port operations, and small quantities of cargo in any one hatch.

(c) The Contracting Officer will investigate the conditions promptly after receiving the notice. If the Contracting Officer finds that the conditions are unusual and do materially affect the cost of loading or unloading, the Contracting Officer will authorize payment at the applicable man-hour rates set forth in the schedule of rates of this contract.

(End of clause)

[65 FR 50147, Aug. 17, 2000, as amended at 75 FR 51418, Aug. 20, 2010]

252.247–7001 Price adjustment.

As prescribed in 247.270–4(b), use the following clause:

**PRICE ADJUSTMENT (JAN 1997)**

(a) The Contractor warrants that the prices set forth in this contract—

(1) Are based upon the wage rates, allowances, and conditions set forth in the collective bargaining agreements between the Contractor and its employees, in effect as of 

(insert date), and which are generally applicable to the ports where work under this contract is performed;

(2) Apply to operations by the Contractor on non-Government work as well as under contract commodity, activity, or work-hour prices. However, no upward adjustment of the existing commodity, activity, or work-hour prices will be allowed in excess of percent per year, except as provided in the Changes clause of this contract.

(3) The agreed upon adjustment, its effective date, and the revised commodity, activity, or work-hour prices for services set forth in the schedule of rates, shall be incorporated in the contract by supplemental agreement.

(b) The Contractor shall notify the Contracting Officer within five days after award, the accounting data and computations the Contractor used to determine its estimated efficiency rate in the performance of this contract, to include the Contractor's proposal for the adjustment.

(c) The Contractor shall include with the final invoice submitted under this contract a statement that the Contractor has not experienced a decrease in rates of pay for labor, or that the Contractor has given notice of all such decreases in compliance with paragraph (b) of this clause.
252.247–7002 Revision of prices.  

As prescribed in 247.270–4(c), use the following clause:

**Revision of Prices (DEC 1991)**

(a) **Definition.** Wage adjustment, as used in this clause, means a change in the wages, salaries, or other terms or conditions of employment which—

(1) Substantially affects the cost of performing this contract;

(2) Is generally applicable to the port where work under this contract is performed; and

(3) Applies to operations by the Contractor on non-Government work as well as to work under this contract.

(b) **General.** The prices fixed in this contract are based on wages and working conditions established by collective bargaining agreements, and on other conditions in effect on the date of this contract. The Contracting Officer and the Contractor may agree to increase or decrease such prices in accordance with this clause.

(c) **Demand for negotiation.** (1) At any time, subject to the limitations specified in this clause, either the Contracting Officer or the Contractor may deliver to the other a written demand that the parties negotiate to revise the prices under this contract.

(2) No such demand shall be made before 90 days after the date of this contract, and thereafter neither party shall make a demand having an effective date within 90 days of the effective date of any prior demand. However, this limitation does not apply to a wage adjustment during the 90 day period.

(d) Each demand shall specify a date (the same as or subsequent to the date of delivery of the demand) as to when the revised prices shall be effective. This date is the effective date of the price revision.

(i) If the Contractor makes a demand under this clause, the demand shall briefly state the basis of the demand and include the statements and data referred to in paragraph (d) of this clause.

(ii) If the demand is made by the Contracting Officer, the Contractor shall furnish the statements and data within 30 days of the delivery of the demand.

(d) **Submission of data.** At the times specified in paragraphs (c)(3)(i) and (ii) of this clause, the Contractor shall submit—

(1) A new estimate and breakdown of the unit cost and the proposed prices for the services the Contractor will perform under this contract after the effective date of the price revision, itemized to be consistent with the original negotiations of the contract;

(2) An explanation of the difference between the original (or last preceding) estimate and the new estimate;

(3) Such relevant operating data, cost records, overhead absorption reports, and accounting statements as may be of assistance in determining the accuracy and reliability of the new estimate;

(4) A statement of the actual costs of performance under this contract to the extent that they are available at the time of the negotiation of the revision of prices under this clause; and

(5) Any other relevant data usually furnished in the case of negotiations of prices under a new contract. The Government may examine and audit the Contractor’s accounts, records, and books as the Contracting Officer considers necessary.

(e) **Negotiations.** (1) Upon the filing of the statements and data required by paragraph (d) of this clause, the Contractor and the Contracting Officer shall negotiate promptly in good faith to agree upon prices for services the Contractor will perform on and after the effective date of the price revision.

(2) If the prices in this contract were established by competitive negotiation, they shall not be revised upward unless justified by changes in conditions occurring after the contract was awarded.

(3) The agreement reached after each negotiation will be incorporated into the contract by supplemental agreement.

(f) **Disagreements.** If, within 30 days after the date on which statements and data are required pursuant to paragraph (c) of this clause, the Contracting Officer and the Contractor fail to agree to revised prices, the failure to agree shall be resolved in accordance with the Disputes clause of this contract. The prices fixed by the Contracting Officer will remain in effect for the balance of the contract, and the Contractor shall continue performance.

(g) **Retroactive changes in wages or working conditions.** (1) In the event of a retroactive wage adjustment, the Contractor or the Contracting Officer may request an equitable adjustment in the prices in this contract.

(2) The Contractor shall request a price adjustment within 30 days of any retroactive wage adjustment. The Contractor shall support its request with—

(i) An estimate of the changes in cost resulting from the retroactive wage adjustment;

(ii) Complete information upon which the estimate is based; and

(iii) A certified copy of the collective bargaining agreement, arbitration award, or other document evidencing the retroactive wage adjustment.

(3) Subject to the limitation in paragraph (g)(2) of this clause as to the time of making
a request, completion or termination of this contract shall not affect the Contractor's right under paragraph (g) of this clause.

(4) In case of disagreement concerning any question of fact, including whether any adjustment should be made, or the amount of such adjustment, the disagreement shall be resolved in accordance with the Disputes clause of this contract.

(5) The Contractor shall notify the Contracting Officer in writing of any request by or on behalf of the employees of the Contractor which may result in a retroactive wage adjustment. The notice shall be given within 20 days after the request, or if the request occurs before contract execution, at the time of execution.

(End of clause)


As prescribed in 247.207, use the following clause:

PASS-THROUGH OF MOTOR CARRIER FUEL SURCHARGE ADJUSTMENT TO THE COST BEARER (SEP 2010)


(b) Unless an exception is authorized by the Contracting Officer, the Contractor shall pass through any motor carrier fuel-related surcharge adjustments to the person, corporation, or entity that directly bears the cost of fuel for shipment(s) transported under this contract.

(c) The Contractor shall insert the substance of this clause, including this paragraph (c), in all subcontracts with motor carriers, brokers, or freight forwarders.

(End of clause)

[75 FR 59105, Sept. 27, 2010]

252.247–7004 Indefinite quantities—fixed charges.

As prescribed in 247.270–4(d), use the following clause:

INDEFINITE QUANTITIES—FIXED CHARGES (DEC 1991)

The amount of work and services the Contractor may be ordered to furnish shall be the amount the Contracting Officer may order from time to time. In any event, the Government is obligated to compensate the Contractor the monthly lump sum specified in the Schedule entitled Fixed Charges, for each month or portion of a month the contract remains in effect.

(End of clause)


252.247–7005 Indefinite quantities—no fixed charges.

As prescribed in 247.270–4(e), use the following clause:

INDEFINITE QUANTITIES—NO FIXED CHARGES (DEC 1991)

The amount of work and services the Contractor may be ordered to furnish shall be the amount the Contracting Officer may order from time to time. In any event, the Government shall order, during the term of this contract, work or services having an aggregate value of not less than $100.

(End of clause)


252.247–7006 Removal of contractor's employees.

As prescribed in 247.270–4(f), use the following clause:

REMOVAL OF CONTRACTOR’S EMPLOYEES (DEC 1991)

The Contractor agrees to use only experienced, responsible, and capable people to perform the work. The Contracting Officer may require that the Contractor remove from the job, employees who endanger persons or property, or whose continued employment under this contract is inconsistent with the interest of military security.

(End of clause)


252.247–7007 Liability and insurance.

As prescribed in 247.270–4(g), use the following clause:

LIABILITY AND INSURANCE (DEC 1991)

(a) The Contractor shall be—

(1) Liable to the Government for loss or damage to property, real and personal,
owned by the Government or for which the Government is liable;
(2) Responsible for, and hold the Government harmless from, loss of or damage to property not included in paragraph (a)(1); and
(3) Responsible for, and hold the Government harmless from, bodily injury and death of persons, resulting either in whole or in part from the negligence or fault of the Contractor, its officers, agents, or employees in the performance of work under this contract.
(b) For the purpose of this clause, all cargo loaded or unloaded under this contract is agreed to be property owned by the Government or property for which the Government is liable.
(1) The amount of the loss or damage as determined by the Contracting Officer will be withheld from payments otherwise due the Contractor.
(2) Determination of liability and responsibility by the Contracting Officer will constitute questions of fact within the meaning of the Disputes clause of this contract.
(c) The general liability and responsibility of the Contractor under this clause are subject only to the following specific limitations. The Contractor is not responsible to the Government for, and does not agree to hold the Government harmless from, loss or damage to property or bodily injury to or death of persons if—
(1) The unseaworthiness of the vessel, or failure or defect of the gear or equipment furnished by the Government, contributed jointly with the fault or negligence of the Contractor in causing such damage, injury, or death; and
(2) The damage, injury, or death resulted solely from the negligence or fault of the Contractor, his officers, agents, and employees, by the exercise of due diligence, could not have discovered such unseaworthiness or defect of gear or equipment; or
(3) Through the exercise of due diligence could not otherwise have avoided such damage, injury, or death.
(2) The damage, injury, or death resulted solely from an act or omission of the Government or its employees, or resulted solely from proper compliance by officers, agents, or employees of the Contractor with specific directions of the Contracting Officer.
(d) The Contractor shall at its own expense acquire and maintain insurance during the term of this contract, as follows—
(1) Standard workmen’s compensation and employer’s liability insurance and longshoremen’s and harbor workers’ compensation insurance, or such of these as may be proper under applicable state or Federal statutes.
(2) Property damage liability insurance in an amount of not less than $300,000 on account of any one occurrence.
(e) The Contractor shall furnish the Contracting Officer with satisfactory evidence of the insurance required in paragraph (d) before performance of any work under this contract.
(f) The Contractor shall furnish the Contracting Officer with satisfactory evidence of the insurance required in paragraph (d) before performance of any work under this contract.
(g) The Contractor shall, at its own cost and expense, defend any suits, demands, claims, or actions, in which the United States might be named as a co-defendant of the Contractor, resulting from the Contractor’s performance of work under this contract. This requirement is without regard to whether such suit, demand, claim, or action was the result of the Contractor’s negligence. The Government shall have the right to appear in such suit, participate in defense, and take such actions as may be necessary to protect the interest of the United States.
(h) It is expressly agreed that the provisions in paragraphs (d) through (g) of this clause shall not in any manner limit the liability or extend the liability of the Contractor as provided in paragraphs (a) through (c) of this clause.
(i) The Contractor shall—
(1) Equitably reimburse the Government if the Contractor is indemnified, reimbursed, or relieved of any loss or damage to Government property;
(2) Do nothing to prevent the Government’s right to recover against third parties for any such loss or damage; and
(3) Furnish the Government, upon the request of the Contracting Officer, at the Government’s expense, all reasonable assistance and cooperation in obtaining recovery, including the prosecution of suit and the execution of instruments of assignment in favor of the Government.

(End of clause)
As prescribed in 247.271–3 (a), use the following provision:

EVALUATION OF BIDS (DEC 1991)

(a) The Government will evaluate bids on the basis of total aggregate price of all items within an area of performance under a given schedule.

(1) An offeror 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. If there is to be no charge for an item, an entry such as “No Charge,” or the letters “N/C” or “0,” must be made in the unit price column of the Schedule.

(2) 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, the Contracting Officer will evaluate bids on the basis of advantages or disadvantages to the Government that might result from making more than one award (multiple awards).

(1) In making this evaluation, the Contracting Officer will assume that the administrative cost to the Government for issuing and administering each contract awarded under this solicitation would be $500.

(2) Individual awards will be for the items and combinations of items which result in the lowest aggregate cost to the Government, including the administrative costs in paragraph (b)(1).

(c) When drayage is necessary for the accomplishment of any item in the bid schedule, the Offeror shall include in the unit price any costs for bridge or ferry tolls, road use charges or similar expenses.

(d) Unless otherwise provided in this solicitation, the Offeror shall state prices in amounts per hundred pounds on gross or net weights, whichever is applicable. All charges shall be subject to, and payable on, the basis of 100 pounds minimum weight for unaccompanied baggage and a 500 pound minimum weight for household goods, net or gross weight, whichever is applicable.

(End of provision)

Alternate I (DEC 1991). As prescribed in 247.271–4(a), add the following paragraph (e) to the basic clause:

(e) Notwithstanding paragraph (a), when “additional services” are added to any schedule, such “additional services” items will not be considered in the evaluation of bids.

252.247–7009 Award.
As prescribed in 247.270–3(b), use the following provision:

AWARD (DEC 1991)

(a) The Government shall make award by area to the qualified low bidder under each of the specified schedules to the extent of the bidder’s stated guaranteed daily capability as provided in this solicitation and the Estimated Quantities Schedule.

(b) 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.

(c) 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)


252.247–7010 Scope of contract.
As prescribed in 247.270–3(d), use the following clause:

SCOPE OF CONTRACT (DEC 1991)

(a) The Contractor shall furnish services and materials for the preparation of personal property (including servicing of appliances) for movement or storage, drayage and related services. Unless otherwise indicated in the Schedule, the Contractor shall—

(1) Furnish all materials except Government-owned containers (Federal Specification PPP-B-580), all equipment, plant and labor; and

(2) Perform all work in accomplishing containerization of personal property for overseas or domestic movement or storage, including—

(i) Stenciling;

(ii) Cooperage;

(iii) Drayage of personal property in connection with other services;

(iv) Decontainerization of inbound shipments of personal property; and

(v) The handling of shipments into and out of the Contractor’s facility.

(b) Excluded from the scope of this contract is the furnishing of like services or materials which are provided incident to complete movement of personal property when purchased by the Through Government Bill of Lading or other method/mode of shipment or property to be moved under the Do-It-Yourself moving program or otherwise moved by the owner.

252.247–7011 Period of contract.

As prescribed in 247.270–3(e), use the following clause:

PERIOD OF CONTRACT (OCT 2001)

(a) This contract begins January 1, ___ , and ends December 31, ___, both dates inclusive. Any work ordered before, and not completed by the expiration date shall be governed by the terms of this contract.

(b) The Government will not place new orders under this contract that require that performance commence more than 15 days after the expiration date.

(c) The Government may place orders required for the completion of services (for shipments in the Contractor’s possession) for 180 days past the expiration date.

(End of clause)

252.247–7012 Ordering limitation.

As prescribed in 247.270–3(g), use the following clause:

ORDERING LIMITATION (DEC 1991)

(a) The Government will place orders for items of supplies or services with the contractor awarded the initial contract to the extent of the contractor’s guaranteed maximum daily capability. However, the contractor may accept an additional quantity in excess of its capability to accommodate a single order.

(b) Orders for additional requirements will be placed in a like manner with the next higher contractor to the extent of its guaranteed maximum daily capability. The Government will repeat this procedure until its total daily requirement is fulfilled.

(c) In the event the procedure in paragraphs (a) and (b) does not fulfill the Government’s total daily requirement, the Government may offer additional orders under the contract to contractors without regard to their guaranteed maximum daily capability.

(End of clause)


As prescribed in 247.270–3(h), use the following clause and complete paragraph (b) by defining each area of performance as required:

CONTRACT AREAS OF PERFORMANCE (DEC 1991)

(a) The Government will consider all areas of performance described in paragraph (b) as including the Contractor’s facility, regardless of geographical location.

(b) The Contractor shall perform services within the following defined areas of performance, which include terminals identified therein: _______.

(End of clause)

252.247–7014 Demurrage.

As prescribed in 247.270–3(i), use the following clause:

DEMURRAGE (DEC 1991)

The Contractor shall be liable for all demurrage, detention, or other charges as a result of its failure to load or unload trucks, freight cars, freight terminals, vessel piers, or warehouses within the free time allowed under applicable rules and tariffs.

(End of clause)

252.247–7015 Requirements.

As prescribed in 216.506(d), substitute the following paragraph (f) for paragraph (f) of the basic clause at FAR 52.216–21.

Alternate I (DEC 1991)

(f) Orders issued during the effective period of this contract and not completed within that time shall be completed by the Contractor within the time specified in the order. The rights and obligations of the Contractor and the Government for those orders shall be governed by the terms of this contract to the same extent as if completed during the effective period.

(End of clause)

252.247–7016 Contractor liability for loss or damage.

As prescribed in 247.270–3(k), use the following clause:
CONTRACTOR LIABILITY FOR LOSS OR DAMAGE
(DEC 1991)

(a) Definitions. As used in this clause—
Article means any shipping piece or package and its contents.
Schedule means the level of service for which specific types of traffic apply as described in DoD 4500.34-R, Personal Property Traffic Management Regulation.

(b) For shipments picked up under Schedule I, Outbound Services, or delivered under Schedule II, Inbound Services—
(1) If notified within one year after delivery that the owner has discovered loss or damage to the owner’s property, the Contractor agrees to indemnify the Government for loss or damage to the property which arises from any cause while it is in the Contractor’s possession. The Contractor’s liability is—
(i) Non-negligent damage. For any cause, other than the Contractor’s negligence, indemnification shall be at a rate not to exceed sixty cents per pound per article.
(ii) Negligent damage. When loss or damage is caused by the negligence of the Contractor, the liability is for the full cost of satisfactory repair or for the current replacement value of the article.

(2) The Contractor shall make prompt payment to the owner of the property for any loss or damage for which the Contractor is liable.

(3) In the absence of evidence or supporting documentation which places liability on a carrier or another contractor, the destination contractor shall be presumed to be liable for the loss or damage, if timely notified.

(c) For shipments picked up or delivered under Schedule III, Intra-City and Intra-Area—
(1) If notified of loss or damage within 75 days following delivery, the Contractor agrees to indemnify the Government for loss or damage to the owner’s property.

(2) The Contractor’s liability shall be for the full cost of satisfactory repair, or for the current replacement value of the article less depreciation, up to a maximum liability of $1.25 per pound times the net weight of the shipment.

(3) The Contractor has full salvage rights to damaged items which are not repairable and for which the Government has received compensation at replacement value.

(End of clause)


252.247–7018 Subcontracting.
As prescribed in 247.270-3(m), use the following clause:

SUBCONTRACTING (DEC 1991)
The Contractor shall not subcontract without the prior written approval of the Contracting Officer. The facilities of any approved subcontractor shall meet the minimum standards required by this contract.

(End of clause)


252.247–7019 Drayage.
As prescribed in 247.270-3(n), use the following clause:

DRAYAGE (DEC 1991)

(a) Drayage included for Schedule I, Outbound, applies in those instances when a shipment requires drayage to an air, water, or other terminal for onward movement after completion of shipment preparation by the Contractor. Drayage not included is when it is being moved from a residence or other pickup point to the Contractor’s warehouse for onward movement by another freight company, carrier, etc.
252.247-7020 Additional services.

As prescribed in 247.270–3(o), use the following provision:

ADDITIONAL SERVICES (AUG 2000)

The Contractor shall provide additional services not included in the Schedule, but required for satisfactory completion of the services ordered under this contract, at a rate comparable to the rate for like services as contained in tenders on file with the Military Traffic Management Command in effect at time of order.

(End of clause)


252.247-7021 Returnable containers other than cylinders.

As prescribed in 247.305-70, use the following clause:

RETURNABLE CONTAINERS OTHER THAN CYLINDERS (MAY 1995)

(a) Returnable container, as used in this clause, includes reels, spools, drums, carboys, liquid petroleum gas containers, and other returnable containers when the Contractor retains title to the container.

(b) Returnable containers shall remain the Contractor’s property but shall be loaned without charge to the Government for a period of ______ (insert number of days) calendar days after delivery to the f.o.b. point specified in the contract. Beginning with the first day after the loan period expires, to and including the day the containers are delivered to the Contractor (if the original delivery was f.o.b. origin) or are delivered or are made available for delivery to the Contractor’s designated carrier (if the original delivery was f.o.b. destination), the Government shall pay the Contractor a rental of $ ______ (insert dollar amount for rental) per container per day, computed separately for containers for each type, size, and capacity, and for each point of delivery named in the contract. No rental shall accrue to the Contractor in excess of the replacement value per container specified in paragraph (c) of this clause.

(c) For each container lost or damaged beyond repair while in the Government’s possession, the Government shall pay to the Contractor the replacement value as follows, less the allocable rental paid for that container:

(Insert the container types, sizes, capacities, and associated replacement values.)

These containers shall become Government property.

(d) If any lost container is located within ______ (insert number of days) calendar days after payment by the Government, it may be returned to the Contractor by the Government, and the Contractor shall pay to the Government the replacement value, less rental computed in accordance with paragraph (b) of this clause, beginning at the expiration of the loan period specified in paragraph (b) of this clause, and continuing to the date on which the container was delivered to the Contractor.

(End of clause)

[60 FR 29503, June 5, 1995]

252.247-7022 Representation of extent of transportation by sea.

As prescribed in 247.574(a), use the following provision:

REPRESENTATION OF EXTENT OF TRANSPORTATION BY SEA (AUG 1992)

(a) The Offeror shall indicate by checking the appropriate blank in paragraph (b) of this provision whether transportation of supplies by sea is anticipated under the resultant contract. The term supplies is defined in the Transportation of Supplies by Sea clause of this solicitation.

(b) Representation. The Offeror represents that it—

Does anticipate that supplies will be transported by sea in the performance of any contract or subcontract resulting from this solicitation.

Does not anticipate that supplies will be transported by sea in the performance of any contract or subcontract resulting from this solicitation.

(c) Any contract resulting from this solicitation will include the Transportation of
Defense Acquisition Regulations System, DOD

Supplies by Sea clause. If the Offeror represents that it will not use ocean transportation, the resulting contract will also include the Defense FAR Supplement clause at 252.247–7023, Notification of Transportation of Supplies by Sea.

(End of provision)


252.247-7023 Transportation of supplies by sea.

As prescribed in 247.573(b)(1), use the following clause:

TRANSPORTATION OF SUPPLIES BY SEA (MAY 2002)

(a) Definitions. As used in this clause—

(1) Components means articles, materials, and supplies incorporated directly into end products at any level of manufacture, fabrication, or assembly by the Contractor or any subcontractor.

(2) Department of Defense (DoD) means the Army, Navy, Air Force, Marine Corps, and defense agencies.

(3) Foreign flag vessel means any vessel that is not a U.S.-flag vessel.

(4) Ocean transportation means any transportation aboard a ship, vessel, boat, barge, or ferry through international waters.

(5) Subcontractor means a supplier, materialman, distributor, or vendor at any level below the prime contractor whose contractual obligation to perform results from, or is conditioned upon, award of the prime contract and who is performing any part of the work or other requirement of the prime contract.

(6) Supplies means all property, except land and interests in land, that is clearly identifiable for eventual use by or owned by the DoD at the time of transportation by sea. (i) An item is clearly identifiable for eventual use by the DoD if, for example, the contract documentation contains a reference to a DoD contract number or a military destination. (ii) Supplies includes (but is not limited to) public works; buildings and facilities; ships; floating equipment and vessels of every character; type, and description, with parts, sub-assemblies, accessories, and equipment; machine tools; material; equipment; stores of all kinds; end items; construction materials; and components of the foregoing.

(7) U.S.-flag vessel means a vessel of the United States or belonging to the United States, including any vessel registered or having national status under the laws of the United States.

(b)(1) The Contractor shall use U.S.-flag vessels when transporting any supplies by sea under this contract.

(2) A subcontractor transporting supplies by sea under this contract shall use U.S.-flag vessels if—

(i) This contract is a construction contract; or

(ii) The supplies being transported are—

(A) Noncommercial items; or

(B) Commercial items that—

(1) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it contracts for f.o.b. destination shipment);

(2) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations; or

(3) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

(c) The Contractor and its subcontractors may request that the Contracting Officer authorize shipment in foreign-flag vessels, or designate available U.S.-flag vessels, if the Contractor or a subcontractor believes that—

(1) U.S.-flag vessels are not available for timely shipment;

(2) The freight charges are inordinately excessive or unreasonable; or

(3) Freight charges are higher than charges to private persons for transportation of like goods.

(d) The Contractor must submit any request for use of other than U.S.-flag vessels in writing to the Contracting Officer at least 45 days prior to the sailing date necessary to meet its delivery schedules. The Contracting Officer will process requests submitted after such date(s) as expeditiously as possible, but the Contracting Officer’s failure to grant approvals to meet the shipper’s sailing date will not of itself constitute a compensable delay under this or any other clause of this contract. Requests shall contain at a minimum—

(1) Type, weight, and cube of cargo;

(2) Required shipping date;

(3) Special handling and discharge requirements;

(4) Loading and discharge points;

(5) Name of shipper and consignee;

(6) Prime contract number; and

(7) A documented description of efforts made to secure U.S.-flag vessels, including points of contact (with names and telephone numbers) with at least two U.S.-flag carriers contacted. Copies of telephone notes, telegraphic and facsimile message or letters will be sufficient for this purpose.

(e) The Contractor shall, within 30 days after each shipment covered by this clause, provide the Contracting Officer and the Maritime Administration, Office of Cargo Preference, U.S. Department of Transportation, 400 Seventh Street SW., Washington, DC

543
252.247–7023

20590, one copy of the rated on board vessel operating carrier’s ocean bill of lading, which shall contain the following information:
(1) Prime contract number;
(2) Name of vessel;
(3) Vessel flag of registry;
(4) Date of loading;
(5) Port of loading;
(6) Port of final discharge;
(7) Description of commodity;
(8) Gross weight in pounds and cubic feet if available;
(9) Total ocean freight in U.S. dollars; and
(10) Name of the steamship company.

(f) The Contractor shall provide with its final invoice under this contract a representation that to the best of its knowledge and belief—
(1) No ocean transportation was used in the performance of this contract;
(2) Ocean transportation was used and only U.S.-flag vessels were used for all ocean shipments under the contract;
(3) Ocean transportation was used, and the Contractor had the written consent of the Contracting Officer for all non-U.S.-flag ocean transportation; or
(4) Ocean transportation was used and some or all of the shipments were made on non-U.S.-flag vessels without the written consent of the Contracting Officer. The Contractor shall describe these shipments in the following format:

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Contract Line Items</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(g) If the final invoice does not include the required representation, the Government will reject and return it to the Contractor as an improper invoice for the purposes of the Prompt Payment clause of this contract. In the event there has been an unauthorized use of non-U.S.-flag vessels in the performance of this contract, the Contracting Officer is entitled to equitably adjust the contract, based on the unauthorized use.

(h) In the award of subcontracts for the types of supplies described in paragraph (b)(2) of this clause, the Contractor shall flow down the requirements of this clause as follows:
(1) The Contractor shall insert the substance of this clause, including this paragraph (h), in subcontracts that exceed the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.
(2) The Contractor shall insert the substance of paragraphs (a) through (e) of this clause, and this paragraph (h), in subcontracts that are at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.

Alternate I (MAR 2000). As prescribed in 247.574(b)(2), substitute the following paragraph (b) for paragraph (b) of the basic clause:

(b)(1) The Contractor shall use U.S.-flag vessels when transporting any supplies by sea under this contract.
(2) A subcontractor transporting supplies by sea under this contract shall use U.S.-flag vessels if the supplies being transported are—
(i) Noncommercial items; or
(ii) Commercial items that—
(A) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it subcontracts for f.o.b. destination shipment);
(B) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations (Note: This contract requires shipment of commercial items in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations;)
(C) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

Alternate II (MAR 2000). As prescribed in 247.574(b)(3), substitute the following paragraph (b) for paragraph (b) of the basic clause:

(b)(1) The Contractor shall use U.S.-flag vessels when transporting any supplies by sea under this contract.
(2) A subcontractor transporting supplies by sea under this contract shall use U.S.-flag vessels if the supplies being transported are—
(i) Noncommercial items; or
(ii) Commercial items that—
(A) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it subcontracts for f.o.b. destination shipment);
(B) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations;
(C) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

Alternate III (MAY 2002). As prescribed in 247.574(b)(4), substitute the
following paragraph (f) for paragraphs (f), (g), and (h) of the basic clause:

(f) The Contractor shall insert the substance of this clause, including this paragraph (f), in subcontracts that are for a type of supplies described in paragraph (b)(2) of this clause.


252.247-7024 Notification of transportation of supplies by sea.

As prescribed in 247.574(c), use the following clause:

NOTIFICATION OF TRANSPORTATION OF SUPPLIES BY SEA (MAR 2000)

(a) The Contractor has indicated by the response to the solicitation provision, Representation of Extent of Transportation by Sea, that it did not anticipate transporting by sea any supplies. If, however, after the award of this contract, the Contractor learns that supplies, as defined in the Transportation of Supplies by Sea clause of this contract, will be transported by sea, the Contractor—

(1) Shall notify the Contracting Officer of that fact; and

(2) Hereby agrees to comply with all the terms and conditions of the Transportation of Supplies by Sea clause of this contract.

(b) The Contractor shall include this clause; including this paragraph (b), revised as necessary to reflect the relationship of the contracting parties—

(1) In all subcontracts under this contract, if this contract is a construction contract; or

(2) If this contract is not a construction contract, in all subcontracts under this contract that are for—

(i) Noncommercial items; or

(ii) Commercial items that—

(A) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it subcontracts for f.o.b. destination shipment);

(B) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peace-keeping operations; or

(C) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

(End of clause)


252.247-7025 Reflagging or repair work.

As prescribed in 247.574(d), use the following clause:

REFLAGGING OR REPAIR WORK (JUN 2005)

(a) Definition. Reflagging or repair work, as used in this clause, means work performed on a vessel—

(1) To enable the vessel to meet applicable standards to become a vessel of the United States; or

(2) To convert the vessel to a more useful military configuration.

(b) Requirement. Unless the Secretary of Defense waives this requirement, refflagging or repair work shall be performed in the United States or its outlying areas, if the refflagging or repair work is performed—

(1) On a vessel for which the Contractor submitted an offer in response to the solicitation for this contract; and

(2) Prior to acceptance of the vessel by the Government.

(End of clause)


252.247-7026 Evaluation Preference for Use of Domestic Shipyards—Applicable to Acquisition of Carriage by Vessel for DoD Cargo in the Coastwise or Noncontiguous Trade.

As prescribed in 247.574(e), use the following provision:

EVALUATION PREFERENCE FOR USE OF DOMESTIC SHipyARDS—APPLICABLE TO ACQUISITION OF CARRIAGE BY VESSEL FOR DOD CARGO IN THE COASTWISE OR NONCONTIGUOUS TRADE (NOV 2008)

(a) Definitions. As used in this provision—

Covered vessel means a vessel—

(1) Owned, operated, or controlled by the offeror; and


Foreign shipyard means a shipyard that is not a U.S. shipyard.

Overhaul, repair, and maintenance work means work requiring a shipyard period greater than or equal to 5 calendar days.

Shipyard means a facility capable of performing overhaul, repair, and maintenance work on covered vessels.
U.S. shipyard means a shipyard that is located in any State of the United States or in Guam.

(b) This solicitation includes an evaluation criterion that considers the extent to which the offeror has had overhaul, repair, and maintenance work for covered vessels performed in U.S. shipyards.

(c) The offeror shall provide the following information with its offer, addressing all covered vessels for which overhaul, repair, and maintenance work has been performed during the period covering the current calendar year, up to the date of proposal submission, and the preceding four calendar years:

(1) Name of vessel.
(2) Description and cost of qualifying shipyard work performed in U.S. shipyards.
(3) Description and cost of qualifying shipyard work performed in foreign shipyards and whether—
   (i) Such work was performed as emergency repairs in foreign shipyards due to accident, emergency, Act of God, or an infirmity to the vessel, and safety considerations warranted taking the vessel to a foreign shipyard; or
   (ii) Such work was paid for or reimbursed by the U.S. Government.
(4) Names of shipyards that performed the work.
(5) Inclusive dates of work performed.

(d) Offerors are responsible for submitting accurate information. The Contracting Officer—

(1) Will use the information to evaluate offers in accordance with the criteria specified in the solicitation; and
(2) Reserves the right to request supporting documentation if determined necessary in the proposal evaluation process.

(e) The Department of Defense will provide the information submitted in response to this provision to the congressional defense committees, as required by Section 1017 of Public Law 109–364.

(End of provision)

As prescribed in 249.501–70, use the following clause:

SPECIAL TERMINATION COSTS (DEC 1991)

(a) Definition. Special termination costs, as used in this clause, means only costs in the following categories as defined in part 31 of the Federal Acquisition Regulation (FAR)—

(1) Severance pay, as provided in FAR 31.205–6(g);
(2) Reasonable costs continuing after termination, as provided in FAR 31.205–42(b);
(3) Settlement of expenses, as provided in FAR 31.205–46(g);
(4) Costs of return of field service personnel from sites, as provided in FAR 31.205–35 and FAR 31.205–46(c), and

252.247–7027 Riding gang member requirements.

As prescribed in 247.574(f), use the following clause:

RIDING GANG MEMBER REQUIREMENTS (OCT 2010)

(a) Definition. Riding gang member, as used in this clause, has the same definition as “riding gang member” in title 46 U.S.C. 2101.

(b) Requirements relating to riding gang members. Notwithstanding 46 U.S.C. 8106, the Contractor shall ensure each riding gang member holds a valid U.S. Merchant Mariner’s Document issued under 46 U.S.C. chapter 73, or a transportation security card issued under section 70105 of such title.

(c) Exemption.

(1) An individual is exempt from the requirements of paragraph (b) of this clause and shall not be treated as a riding gang member for the purposes of section 8106 of title 46, if that individual is on a vessel for purposes other than engaging in the operation or maintenance of the vessel and is—

(i) One of the personnel who accompanies, supervises, guards, or maintains unit equipment aboard a ship, commonly referred to as supercargo personnel; or
(ii) One of the force protection personnel of the vessel;

(iii) A specialized repair technician; or

(iv) An individual who is otherwise required by the Secretary of Defense or designee to be aboard the vessel.

(2) Any individual who is exempt under paragraph (c)(1) of this clause must pass a DoD background check before going aboard the vessel. With regard to these exempt individuals, the Contractor shall submit the name and other necessary identifying information for a background check to the approving official specified in the contract. The head of the contracting activity may waive this requirement if the individual possesses a valid U.S. Merchant Mariner’s Document issued under 46 U.S.C., chapter 73, or a transportation security card issued under section 70105 of such title.

(3) An individual exempted under paragraph (c)(1) of this clause is not treated as a riding gang member and shall not be counted as an individual in addition to the crew for the purposes of 46 U.S.C. 3304.

(End of clause)
Defense Acquisition Regulations System, DOD 252.251–7000

(5) Costs in paragraphs (a) (1), (2), (3), and (4) of this clause to which subcontractors may be entitled in the event of termination.

(b) Notwithstanding the Limitation of Cost/Limitation of Funds clause of this contract, the Contractor shall not include in its estimate of costs incurred or to be incurred, any amount for special termination costs to which the Contractor may be entitled in the event this contract is terminated for the convenience of the Government.

(c) The Contractor agrees to perform this contract in such a manner that the Contractor’s claim for special termination costs will not exceed $$. The Government shall have no obligation to pay the Contractor any amount for the special termination costs in excess of this amount.

(d) In the event of termination for the convenience of the Government, this clause shall not be construed as affecting the allowability of special termination costs in any manner other than limiting the maximum amount of the costs payable by the Government.

(e) This clause shall remain in full force and effect until this contract is fully funded.

(End of clause)

252.249–7001 [Reserved]

252.249–7002 Notification of anticipated contract termination or reduction.

As prescribed in 249.7003(c), use the following clause:

NOTIFICATION OF ANTICIPATED CONTRACT TERMINATION OR REDUCTION (OCT 2010)

(a) Definitions. Major defense program means a program that is carried out to produce or acquire a major system (as defined in 10 U.S.C. 2302(5)) (see also DoD 5000.2-R, Mandatory Procedures for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs).

Substantial reduction means a reduction of 25 percent or more in the total dollar value of funds obligated by the contract.

(b) Section 1372 of the National Defense Authorization Act for Fiscal Year 1994 (Pub. L. 103–160) and Section 824 of the National Defense Authorization Act for Fiscal Year 1997 (Pub. L. 104–201) are intended to help establish benefit eligibility under the Job Training Partnership Act (29 U.S.C. 1661c(b) and paragraphs (1) through (14), (16), and (18) of section 1661c(c)).

(c) Notice to employees and state and local officials. Within 2 weeks after the Contracting Officer notifies the Contractor that contract funding will be terminated or substantially reduced, the Contractor shall provide notice of such anticipated termination or reduction to—

(1) Each employee representative of the Contractor’s employees whose work is directly related to the defense contract; or

(2) If there is no such representative, each such employee;

(3) The State dislocated worker unit or office described in section 311(b)(2) of the Job Training Partnership Act (29 U.S.C. 1661c(b)(2)); and

(4) The chief elected official of the unit of general local government within which the adverse effect may occur.

(d) Notice to subcontractors. Not later than 60 days after the Contractor receives the Contracting Officer’s notice of the anticipated termination or reduction, the Contractor shall—

(1) Provide notice of the anticipated termination or reduction to each first-tier subcontractor with a subcontract of $650,000 or more; and

(2) Require that each such subcontractor—

(i) Provide notice to each of its subcontractors with a subcontract of $150,000 or more; and

(ii) Impose a similar notice and flowdown requirement to subcontractors with subcontracts of $150,000 or more.

(e) The notice provided an employee under paragraph (c) of this clause shall have the same effect as a notice of termination to the employee for the purposes of determining whether such employee is eligible for training, adjustment assistance, and employment services under section 325 or 325A of the Job Training Partnership Act (29 U.S.C. 1662d, 1662d-1). If the Contractor has specified that the anticipated contract termination or reduction is not likely to result in plant closure or mass layoff, as defined in 29 U.S.C. 2101, the employee shall be eligible only for services under section 314 and paragraphs (1) through (14), (16), and (18) of section 314(c) of the Job Training Partnership Act (29 U.S.C. 1661c(b) and paragraphs (1) through (14), (16), and (18) of section 1661c(c)).

(End of clause)

252.251–7000 Ordering from Government supply sources.

As prescribed in 251.107, use the following clause:

ORDERING FROM GOVERNMENT SUPPLY SOURCES (NOV 2004)

(a) When placing orders under Federal Supply Schedules, Personal Property Rehabilitation Price Schedules, or Enterprise Software
Agreements, the Contractor shall follow the terms of the applicable schedule or agreement and authorization. Include in each order:

(1) A copy of the authorization (unless a copy was previously furnished to the Federal Supply Schedule, Personal Property Rehabilitation Price Schedule, or Enterprise Software Agreement contractor).

(2) The following statement: Any price reductions negotiated as part of an Enterprise Software Agreement issued under a Federal Supply Schedule contract shall control. If the event of any other inconsistencies between an Enterprise Software Agreement, established as a Federal Supply Schedule blanket purchase agreement, and the Federal Supply Schedule contract, the latter shall govern.

(3) The completed address(es) to which the Contractor’s mail, freight, and billing documents are to be directed.

(4) A list of the makes, models, and serial numbers of Contractor-owned or leased vehicles and related services authorized to be serviced.

(5) The completed address(es) to which the Contractor’s mail, freight, and billing documents are to be directed.

(6) The number of vehicles and related services required and the period of use.

(b) When placing orders under nonmandatory schedule contracts and requirements contracts, issued by the General Services Administration (GSA) Office of Information Resources Management, for automated data processing equipment, software and maintenance, communications equipment and supplies, and teleprocessing services, the Contractor shall follow the terms of the applicable contract and the procedures in paragraph (a) of this clause.

(c) When placing orders for Government stock, the Contractor shall—

(1) Comply with the requirements of the Contracting Officer’s authorization, using FEDSTRIP or MILSTRIP procedures, as appropriate;

(2) Use only the GSA Form 1948–A, Retail Services Shopping Plate, when ordering from GSA Self-Service Stores;

(3) Order only those items required in the performance of Government contracts; and

(4) Pay invoices from Government supply sources promptly. For purchases made from DoD supply sources, this means within 30 days of the date of a proper invoice. The Contractor shall annotate each invoice with the date of receipt. For purposes of computing interest for late Contractor payments, the Government’s invoice is deemed to be a demand for payment in accordance with the Interest clause of this contract. The Contractor’s failure to pay may also result in the DoD supply source refusing to honor the requisition (see DFARS 251.102(f)) or in the Contracting Officer terminating the Contractor’s authorization to use DoD supply sources. In the event the Contracting Officer decides to terminate the authorization due to the Contractor’s failure to pay in a timely manner, the Contracting Officer shall provide the Contractor with prompt written notice of the intent to terminate the authorization and the basis for such action. The Contractor shall have 10 days after receipt of the Government’s notice in which to provide additional information as to why the authorization should not be terminated. The termination shall not provide the Contractor with an excusable delay for failure to perform or complete the contract in accordance with the terms of the contract, and the Contractor shall be solely responsible for any increased costs.

(d) Only the Contractor may request authorization for subcontractor use of Government supply sources. The Contracting Officer will not grant authorizations for subcontractor use without approval of the Contractor.

(e) Government invoices shall be submitted to the Contractor’s billing address, and Contractor payments shall be sent to the Government remittance address specified below: Contractor’s Billing Address (include point of contact and telephone number):

Government Remittance Address (include point of contact and telephone number):
Defense Acquisition Regulations System, DOD 253.209–1

253.208–2 DD Form 448–2, Acceptance of MIPR.
Follow the procedures at PGI 253.208–2 for use of DD Form 448–2.
[71 FR 39005, July 11, 2006]

253.209 Contractor qualifications.
253.209–1 Responsible prospective contractors.
(a) SF 1403, Preaward Survey of Prospective Contractor (General). (i) The factors in Section III, Block 19, generally mean—
(A) Technical capability. An assessment of the prospective contractor’s key management personnel to determine if they have the basic technical knowledge, experience, and understanding of the requirements necessary to produce the required product or provide the required service. 
(B) Production capability. An evaluation of the prospective contractor’s ability to plan, control, and integrate manpower, facilities, and other resources necessary for successful contract completion. This includes—
(1) An assessment of the prospective contractor’s possession of, or the ability to acquire, the necessary facilities, material, equipment, and labor; and 
(2) A determination that the prospective contractor’s system provides for timely placement of orders and for vendor follow-up and control.
(C) Quality assurance capability. An assessment of the prospective contractor’s quality assurance system, personnel, facilities, and equipment.
(D) Financial capability. A determination that the prospective contractor has or can get adequate financial resources to obtain needed facilities, equipment, materials, etc.
(E) Accounting system and related internal controls. An assessment by the auditor of the adequacy of the prospective contractor’s accounting system and related internal controls as defined in 242.7501, Definition. Normally, a contracting officer will request an accounting system review when soliciting and awarding cost-reimbursement or incentive type contracts, or contracts.

End of clause)
which provide for progress payments based on costs or on a percentage or stage of completion.

(ii) The factors in section III, Block 20, generally mean—

(A) Government property control. An assessment of the prospective contractor’s capability to manage and control Government property.

(B) Transportation. An assessment of the prospective contractor’s capability to follow the laws and regulations applicable to the movement of Government material, or overweight, oversize, hazardous cargo, etc.

(C) Packaging. An assessment of the prospective contractor’s ability to meet all contractual packaging requirements including preservation, unit pack, packing, marking, and unitizing for shipment.

(D) Security clearance. A determination that the prospective contractor’s facility security clearance is adequate and current. (When checked, the surveying activity will refer this factor to the Defense Security Service (DSS)).

(E) Plant safety. An assessment of the prospective contractor’s ability to meet the safety requirements in the solicitation.

(F) Environmental/energy consideration. An evaluation of the prospective contractor’s ability to meet specific environmental and energy requirements in the solicitation.

(G) Flight operations and flight safety. An evaluation of the prospective contractor’s ability to meet flight operation and flight safety requirements on solicitations involving the overhaul and repair of aircraft.

(H) Other. If the contracting officer wants an assessment of other than major factors A-E and other factors A-G, check this factor. Explain the desired information in the Remarks sections.

[56 FR 36554, July 31, 1991, as amended at 60 FR 29504, June 5, 1995; 64 FR 51077, Sept. 21, 1999]

253.213 Simplified acquisition procedures (SF’s 18, 30, 44, 1165, 1449, and OF’s 336, 347, and 348).

(f) DoD uses the DD Form 1155, Order for Supplies or Services, instead of OF 347; and OF 336, Continuation Sheet, instead of OF 348. Follow the procedures at PGI 253.213(f) for use of forms.

[71 FR 3413, Jan. 23, 2006]

253.213–70 Completion of DD Form 1155, Order for Supplies or Services.

Follow the procedures at PGI 253.213–70 for completion of DD Form 1155.

[71 FR 3413, Jan. 23, 2006]

253.215 Contracting by negotiation.

253.215–70 DD Form 1547, Record of Weighted Guidelines Application.

Follow the procedures at PGI 253.215–70 for completing DD Form 1547.

[71 FR 69495, Dec. 1, 2006]

Subpart 253.3—Illustration of Forms

253.303 Agency forms.


[72 FR 14239, Mar. 27, 2007]
APPENDIX A TO CHAPTER 2—ARmed SERVICES BOARD OF CONTRACT APPEALS

Pt.
Part 1—Charter
Part 2—Rules


ARMED SERVICES BOARD OF CONTRACT APPEALS

Approved 1 May 1962. Revised 1 May 1969.
Revised 1 September 1973.
Revised 1 July 1979.

PART 1—CHARTER

1. There is created the Armed Services Board of Contract Appeals which is hereby designated as the authorized representative of the Secretary of Defense, the Secretary of the Army, the Secretary of the Navy and the Secretary of the Air Force, in hearing, considering and determining appeals by contractors from decisions of contracting officers or their authorized representatives or other authorities on disputed questions. These appeals may be taken (a) pursuant to the Contract Disputes Act of 1978 (41 U.S.C. Sect. 601, et seq.), (b) pursuant to the provisions of contracts requiring the decision by the Secretary of Defense or by a Secretary of a Military Department or their duly authorized representative, or (c) pursuant to the provisions of any directive whereby the Secretary of Defense or the Secretary of a Military Department or their authorized representative has granted a right of appeal not contained in the contract on any matter consistent with the contract appeals procedure. The Board may determine contract disputes for other departments and agencies by agreement as permitted by law. The Board shall operate under general policies established or approved by the Under Secretary of Defense for Acquisition, Technology and Logistics and may perform other duties as directed not inconsistent with the Contract Disputes Act of 1978.

2. Membership of the Board shall consist of attorneys at law who have been qualified in the manner prescribed by the Contract Disputes Act of 1978. Members of the Board are hereby designated as Administrative Judges. There shall be appointed from the Judges of the Board a Chairman and two or more Vice-Chairmen. Appointment of the Chairman and Vice-Chairmen and other Judges of the Board shall be made by the Under Secretary of Defense for Acquisition, Technology and Logistics, the General Counsel of the Department of Defense, and the Assistant Secretaries of the Military Departments responsible for acquisition. The Chairman may designate a Judge of the Board to serve as an Acting Chairman or Acting Vice Chairman.

3. It shall be the duty and obligation of the Judges of the Armed Services Board of Contract Appeals to decide appeals on the record of the appeal to the best of their knowledge and ability in accordance with applicable contract provisions and in accordance with law and regulation pertinent thereto.

4. The Chairman of the Board shall be responsible for establishing appropriate divisions of the Board to provide for the most effective and expeditious handling of appeals. The Chairman shall designate one Judge of each division as the division head. The Chairman may refer an appeal of unusual difficulty, significant precedential importance, or serious dispute within the normal decision process for decision by the senior deciding group. The division heads and the Chairman and Vice-Chairmen, together with, if applicable, the author of the decision so referred, shall constitute the senior deciding group of the Board. The decision of the Board in cases so referred to the senior deciding group shall be by majority vote of the participating Judges of that group. A majority of the Judges of a division shall constitute a quorum for the transaction of the business of each, respectively. Decisions of the Board shall be by majority vote of the Judges of a division participating and the Chairman and a Vice-Chairman, unless the Chairman refers the appeal for decision by the senior deciding group. An appeal involving a small claim as defined by the Contract Disputes Act of 1978 may be decided by a single Judge or fewer Judges of the Board than hereinafter provided for cases of unlimited dollar amount, under accelerated or expedited procedures as provided in the Rules of the Board and the Contract Disputes Act of 1978.

5. The Board shall have all powers necessary and incident to the proper performance of its duties. The Board has the authority to issue methods of procedure and rules and regulations for its conduct and for the preparation and presentation of appeals and issuance of opinions.

6. Any Judge of the Board or any examiner, designated by the Chairman, shall be authorized to hold hearings, examine witnesses, receive evidence and argument. A Judge of the Board shall have authority to administer oaths and issue subpoenas as specified in the Contract Disputes Act of 1978. In cases of contumacy or refusal to obey a subpoena, the Chairman may request orders of the court in the manner prescribed in the Contract Disputes Act of 1978.
7. The Chairman shall be responsible for the internal organization of the Board and for its administration. He shall provide within approved ceilings for the staffing of the Board with non-Judge personnel, including hearing examiners, as may be required for the performance of the functions of the Board. The Chairman shall appoint a Recorder of the Board. All personnel shall be responsible to and shall function under the direction, supervision, and control of the Chairman. Judges shall decide cases independently.

8. The Board will be serviced by the Department of the Army for administrative support as required for its operations. Administrative support will include budgeting, funding, fiscal control, manpower control and utilization, personnel administration, security administration, supplies, and other administrative services. The Departments of the Army, Navy, Air Force and the Office of the Secretary of Defense will participate in financing the Board's operations on an equal basis and to the extent determined by the Under Secretary of Defense (Comptroller). The cost of processing appeals for departments and agencies other than those in the Department of Defense will be reimbursed.

9. Within 30 days following the close of a calendar quarter, the Chairman shall forward a report of the Board's proceedings for the quarter to the Under Secretary of Defense for Acquisition, Technology and Logistics, the General Counsel of the Department of Defense, the Assistant Secretaries of the Military Departments responsible for acquisition, and to the Director of the Defense Logistics Agency. The Chairman of the Board will also furnish the Secretary of Defense, the General Counsel of the Department of Defense, the Secretaries of the Military Departments, and the Director of the Defense Logistics Agency, an annual report containing an account of the Board's transactions and proceedings for the preceding fiscal year.

10. The Board shall have a seal bearing the following inscription: "Armed Services Board of Contract Appeals." This seal shall be affixed to all authentications of copies of records and to such other instruments as the Board may determine.

11. This revised charter is effective May 14, 2007.

Approved:


Under Secretary of Defense (Acquisition, Technology and Logistics).

(signed) William J. Haynes II.

General Counsel of the Department of Defense.
Defense Acquisition Regulations System, DOD  Ch. 2, App. A

(consisting of the Chairman, Vice Chairmen and all division heads), in which event a decision of a majority of that group constitutes the decision of the Board. Appeals referred to the Senior Deciding Group are those of unusual difficulty or significant precedential importance, or which have occasioned serious dispute within the normal division decision process. For decisions of appeals processed under the expedited or accelerated procedure, see Rules 12.2(c) and 12.3(b).

RULES

Preliminary Procedures

Rule 1. Appeals, How Taken
(a) Notice of an appeal shall be in writing and mailed or otherwise furnished to the Board within 90 days from the date of receipt of a contracting officer’s decision. A copy thereof shall be furnished to the contracting officer from whose decision the appeal is taken.

(b) Where the contractor has submitted a claim of $100,000 or less to the contracting officer and has requested a written decision within 60 days from receipt of the request, and the contracting officer has not provided one within the period required, the contractor may file a notice of appeal as provided in subparagraph (a) of this Rule, citing the failure of the contracting officer to issue a decision.

(c) Where the contractor has submitted a properly certified claim over $100,000 to the contracting officer or has requested a decision by the contracting officer which presently involves no monetary amount pursuant to the Disputes clause, and the contracting officer has failed to issue a decision within a reasonable time, taking into account such factors as the size and complexity of the claim, the contractor may file a notice of appeal as provided in subparagraph (a) of this Rule, citing the failure of the contracting officer to issue a decision.

(d) Upon docketing of appeals filed pursuant to (b) or (c) of this Rule, the Board may, at its option, stay further proceedings pending issuance of a final decision by the contracting officer within such period of time as is determined by the Board.

(e) In lieu of filing a notice of appeal under (b) or (c) of this Rule, the contractor may request the Board to direct the contracting officer to issue a decision in a specified period of time, as determined by the Board, in the event of undue delay on the part of the contracting officer.

Rule 2. Notice of Appeal, Contents of
A notice of appeal should indicate that an appeal is being taken and identify the Board within 90 days from the date of receipt of a contracting officer’s decision. A copy thereof shall be furnished to the contracting officer from whose decision the appeal is taken.
in Rule 6 may be filed with the notice of appeal, or the appellant may designate the notice of appeal as a complaint, if it otherwise fulfills the requirements of a complaint.

RULE 3. DOCKETING OF APPEALS

When a notice of appeal in any form has been received by the Board, it shall be docketed promptly. Notice in writing shall be given to the appellant with a copy of these Rules, and to the contracting officer.

RULE 4. PREPARATION, CONTENT, ORGANIZATION, FORWARDING, AND STATUS OF APPEAL FILE

(a) Duties of Contracting Officer—Within 30 days of receipt of an appeal, or notice that an appeal has been filed, the contracting officer shall assemble and transmit to the Board an appeal file consisting of all documents pertinent to the appeal, including:

1. The decision from which the appeal is taken;
2. The contract, including pertinent specifications, amendments, plans, and drawings;
3. All correspondence between the parties relevant to the appeal, including the letter or letters of claim in response to which the decision was issued;
4. Transcripts of any testimony taken during the course of proceedings, and affidavits or statements of any witnesses on the matter in dispute made prior to the filing of the notice of appeal with the Board; and
5. Any additional information considered relevant to the appeal.

Within the same time specified in paragraph (a) of this Rule, the contracting officer shall furnish the appellant a copy of each document the contracting officer transmits to the Board, except those in subparagraph (a)(2) of this Rule. As to the latter, a list furnished the appellant indicating specific contractual documents transmitted will suffice.

(b) Duties of the Appellant—Within 30 days after receipt of a copy of the appeal file assembled by the contracting officer, the appellant shall transmit to the Board any documents not contained therein which the appellant considers relevant to the appeal, and furnish two copies of such documents to the Government trial attorney.

(c) Organization of Appeal File—Documents in the appeal file may be originals or legible facsimiles or authenticated copies, and shall be arranged in chronological order where practicable, numbered sequentially, tabbed, and indexed to identify the contents of the file.

(d) Lengthy Documents—Upon request by either party, the Board may waive the requirement to furnish to the other party copies of bulky, lengthy, or out-of-size documents in the appeal file when inclusion would be burdensome. At the time a party files with the Board a document for which such a waiver

has been granted, the party shall notify the other party that the document or a copy is available for inspection at the offices of the Board or of the filing party.

(e) Status of Documents in Appeal File—Documents contained in the appeal file are considered, without further action by the parties, as part of the record upon which the Board will render its decision. However, a party may object, for reasons stated, to consideration of a particular document or documents reasonably in advance of hearing or, if there is no hearing, of settling the record. If such objection is made, the Board shall remove the document or documents from the appeal file and permit the party offering the document to move its admission as evidence in accordance with Rules 13 and 20.

(f) Notwithstanding the foregoing, the filing of the Rule 4(a) and (b) documents may be dispensed with by the Board either upon request of the appellant in its notice of appeal or thereafter upon stipulation of the parties.

RULE 5. MOTIONS

(a) Any motion addressed to the jurisdiction of the Board shall be promptly filed. Hearing on the motion shall be afforded on application of either party. However, the Board may defer its decision on the motion pending hearing on both the merits and the motion. The Board shall have the right at any time and on its own initiative to raise the issue of its jurisdiction to proceed with a particular appeal, and shall do so by an appropriate order, affording the parties an opportunity to be heard thereon.

(b) The Board may entertain and rule upon other appropriate motions.

RULE 6. PLEADINGS

(a) Appellant—Within 30 days after receipt of notice of docketing of the appeal, the appellant shall file with the Board an original and two copies of a complaint setting forth simple, concise, and direct statements of each of its claims. The appellant shall also set forth the basis, with appropriate reference to contract provisions, of each claim and the dollar amount claimed, to the extent known. This pleading shall fulfill the generally recognized requirements of a complaint, although no particular form is required. Upon receipt of the complaint, the Board shall serve a copy of it upon the Government unless a copy has been provided directly by the appellant. Should the complaint not be received within 30 days, the appellant's claim and appeal may, if in the opinion of the Board the issues before the Board are sufficiently defined, be deemed to set forth its complaint and the Government shall be so notified.
Defense Acquisiton Regulations System, DOD Ch. 2, App. A

(b) Government—Within 30 days from receipt of the complaint, or the aforesaid notice from the Board, the Government shall prepare and file with the Board an original and two copies of an answer thereto. The answer shall set forth simple, concise, and direct statements of the Government’s defenses to each claim asserted by the appellant, including any affirmative defenses available. Upon receipt of the answer, the Board shall serve a copy upon the appellant. Should the answer not be received within 30 days, the Board may, in its discretion, enter a general denial on behalf of the Government, and the appellant shall be so notified. A party who intends to raise an issue concerning the law of a foreign country shall give notice in its pleadings or other reasonable written notice. The Board, in determining foreign law, may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under Rules 11, 13, or 20. The determination of foreign law shall be treated as a ruling on a question of law.

RULE 7. AMENDMENTS OF PLEADINGS OR RECORD

The Board upon its own initiative or upon application by a party may order a party to make a more definite statement of the complaint or answer, or to reply to an answer. The Board may, in its discretion, and within the proper scope of the appeal, permit either party to amend its pleading upon conditions fair to both parties. When issues within the proper scope of the appeal, but not raised by the pleadings, are tried by express or implied consent of the parties, or by permission of the Board, they shall be treated in all respects as if they had been raised therein. In such instances, motions to amend the pleadings to conform to the proof may be entered, but are not required. If evidence is objected to at a hearing on the ground that it is not within the issues raised by the pleadings, it may be admitted within the proper scope of the appeal, provided however, that the objecting party may be granted a continuance, if necessary, to enable it to meet such evidence.

RULE 8. HEARING ELECTION

After filing of the Government’s answer or notice from the Board that it has entered a general denial on behalf of the Government, each party shall advise whether it desires a hearing as prescribed in Rules 17 through 25, or whether it elects to submit its case on the record without a hearing, as prescribed in Rule 11.

RULE 9. PREHEARING BRIEFS

Based on an examination of the pleadings, and its determination of whether the arguments and authorities addressed to the issues are adequately set forth therein, the Board may, in its discretion, require the parties to submit prehearing briefs in any case in which a hearing has been elected pursuant to Rule 8. If the Board does not require prehearing briefs, either party may, in its discretion and upon appropriate and sufficient notice to the other party, furnish a prehearing brief to the Board. In any case where a prehearing brief is submitted, it shall be furnished so as to be received by the Board at least 15 days prior to the date set for hearing, and a copy shall simultaneously be furnished to the other party as previously arranged.

RULE 10. PREHEARING OR PRESUBMISSION CONFERENCE

(a) Whether the case is to be submitted pursuant to Rule 11, or heard pursuant to Rules 17 through 25, the Board may, upon its own initiative, or upon the application of either party, arrange a telephone conference or call upon the parties to appear before an Administrative Judge or examiner of the Board for a conference to consider:

(1) Simplification, clarification, or severing of the issues;
(2) The possibility of obtaining stipulations, admissions, agreements, and rulings on admissibility of documents, understandings on matters already of record, or similar agreements that will avoid unnecessary proof;
(3) Agreements and rulings to facilitate discovery;
(4) Limitation of the number of expert witnesses, or avoidance of similar cumulative evidence;
(5) The possibility of agreement disposing of any or all of the issues in dispute; and
(6) Such other matters as may aid in the disposition of the appeal.

(b) The Administrative Judge or examiner of the Board shall make such rulings and orders as may be appropriate to aid in the disposition of the appeal. The results of pretrial conferences, including any rulings and orders, shall be reduced to writing by the Administrative Judge or examiner and this writing shall thereafter constitute a part of the record.

RULE 11. SUBMISSION WITHOUT A HEARING

Either party may elect to waive a hearing and to submit its case upon the record before the Board, as settled pursuant to Rule 13. Submission of a case without hearing does not relieve the parties from the necessity of proving the facts supporting their allegations or defenses. Affidavits, depositions, admissions, answers to interrogatories, and stipulations may be employed to supplement other documentary evidence in the Board record. The Board may permit such submissions to be supplemented by oral argument.
(transcribed if requested), and by briefs arranged in accordance with Rule 23.

**Rule 12. Optional Small Claims (Expedited) and Accelerated Procedures (These procedures are available solely at the election of the appellant.)**

**12.1 Elections to Utilize Small Claims (Expedited) and Accelerated Procedures**

(a) In appeals where the amount in dispute is $50,000 or less, or in the case of a small business concern (as defined in the Small Business Act and regulations under that Act), $150,000 or less, the appellant may elect to have the appeal processed under a SMALL CLAIMS (EXPEDITED) procedure requiring decision of the appeal, whenever possible, within 120 days after the Board receives written notice of the appellant’s election to utilize this procedure. The details of this procedure appear in section 12.2 of this Rule. An appellant may elect the ACCELERATED procedure rather than the SMALL CLAIMS (EXPEDITED) procedure for any appeal where the amount in dispute is $50,000 or less.

(b) In appeals where the amount in dispute is $100,000 or less, the appellant may elect to have the appeal processed under an ACCELERATED procedure whenever possible, within 180 days after the Board receives written notice of the appellant’s election to utilize this procedure. The details of this procedure appear in section 12.3 of this Rule.

(c) The appellant’s election of either the SMALL CLAIMS (EXPEDITED) procedure or the ACCELERATED procedure may be made by written notice within 60 days after receipt of notice of docketing, unless such period is extended by the Board for good cause. The election, once made, may not be withdrawn except with permission of the Board and for good cause.

**12.2 The Small Claims (Expedited) Procedure**

(a) In appeals proceeding under the SMALL CLAIMS (EXPEDITED) procedure, the following time periods shall apply:

1. Within 10 days from the Government’s first receipt from either the appellant or the Board of a copy of the appellant’s notice of election of the SMALL CLAIMS (EXPEDITED) procedure, the Government shall send the Board a copy of the contract, the contracting officer’s final decision, and the appellant’s claim letter or letters, if any; remaining documents required under Rule 4 shall be submitted in accordance with times specified in that Rule unless the Board otherwise directs.

2. Within 15 days after the Board has acknowledged receipt of the appellant’s notice of election, the assigned Administrative Judge shall take the following actions, if feasible, in an informal meeting or a telephone conference with both parties: (i) identify and simplify the issues; (ii) establish a simplified procedure appropriate to the particular appeal involved; (iii) determine whether either party wants a hearing, and if so, fix a time and place therefor; (iv) require the Government to furnish all the additional documents relevant to the appeal; and (v) establish an expedited schedule for resolution of the appeal.

(b) Pleadings, discovery, and other pre-hearing activity will be allowed only as consistent with the requirement to conduct the hearing on the date scheduled, or if no hearing is scheduled, to close the record on a date that will allow decisions within the 120-day limit. The Board, in its discretion, may impose shortened time periods for any actions prescribed or allowed under these Rules, as necessary, to enable the Board to decide the appeal within the 120-day limit, allowing whatever time, up to 30 days, that the Board considers necessary for the preparation of the decision after closing the record and the filing of briefs, if any.

(c) Written decision by the Board in appeals processed under the SMALL CLAIMS (EXPEDITED) procedure will be short and will contain only summary findings of fact and conclusions. Decisions will be rendered for the Board by a single Administrative Judge. If there has been a hearing, the Administrative Judge presiding at the hearing may, in the judge’s discretion, at the conclusion of the hearing and after entertaining such oral arguments as are deemed appropriate, render on the record oral summary findings of fact and conclusions, and a decision of the appeal. Whenever such an oral decision is rendered, the Board will subsequently furnish the parties a typed copy of such oral decision for record and permanent purposes and to establish the starting date for the period for filing a motion for reconsideration under Rule 29.

(d) A decision against the Government or the appellant shall have no value as precedent, and in the absence of fraud, shall be final and conclusive and may not be appealed or set aside.

**12.3 The Accelerated Procedure**

(a) In appeals proceeding under the ACCELERATED procedure, the parties are encouraged, to the extent possible consistent with adequate presentation of their factual and legal positions, to waive pleadings, discovery, and briefs. The Board, in its discretion, may shorten time periods prescribed or allowed elsewhere in these Rules, including Rule 4, as necessary, to enable the Board to decide the appeal within 120 days after the Board has received the appellant’s notice of election of the ACCELERATED procedure, and may reserve 30 days for preparation of the decision.
(b) Written decision by the Board in appeals processed under the ACCELERATED procedure will normally be short and contain only summary findings of fact and conclusions. Decisions will be rendered for the Board by a single Administrative Judge with the concurrence of a Vice Chairman, or by a majority among these two and the Chairman in case of disagreement. Alternatively, in an appeal where the amount in dispute is $50,000 or less as to which the ACCELERATED procedure has been elected and in which there has been a hearing, the single Administrative Judge presiding at the hearing may, with the concurrence of both parties, at the conclusion of the hearing and after entertaining such oral arguments as are deemed appropriate, render on the record oral summary findings of fact, conclusions, and a decision of the appeal. Whenever such an oral decision is rendered, the Board will subsequently furnish the parties a typed copy of such oral decision for record and payment purposes, and to establish the starting date for the period for filing a motion for reconsideration under Rule 29.

12.4 Motions for Reconsideration in Rule 12 Appeals

Motions for reconsideration of appeals decided under either the SMALL CLAIMS (EXPEDITED) procedure or the ACCELERATED procedure need not be decided within the original 120-day or 180-day limit, but all such motions shall be processed and decided rapidly so as to fulfill the intent of this Rule.

RULE 13. SETTLING THE RECORD

(a) The record upon which the Board’s decision will be rendered consists of the documents furnished under Rules 4 and 12, to the extent admitted in evidence, and the following items, if any: pleadings, prehearing conference memoranda or orders, prehearing briefs, depositions or interrogatories received in evidence, admissions, stipulations, transcripts of conferences and hearings, hearing exhibits, post-hearing briefs, and documents which the Board has specifically designated to be made a part of the record. The record will, at all reasonable times, be available for inspection by the parties at the office of the Board.

(b) Except as the Board may otherwise order in its discretion, no proof shall be received in evidence after completion of an oral hearing or, in cases submitted on the record, after notification by the Board that the case is ready for decision.

(c) The weight to be attached to any evidence of record will rest within the sound discretion of the Board. The Board may in any case require either party, with appropriate notice to the other party, to submit additional evidence on any matter relevant to the appeal.

RULE 14. DISCOVERY—DEPOSITIONS

(a) General Policy and Protective Orders—The parties are encouraged to engage in voluntary discovery procedures. In connection with any deposition or other discovery procedure, the Board may make any order required to protect a party or person from annoyance, embarrassment, or undue burden or expense. Those orders may include limitations on the scope, method, time, and place for discovery, and provisions for protecting the secrecy of confidential information or documents.

(b) When Depositions Permitted—After an appeal has been docketed and complaint filed, the parties may mutually agree to, or the Board may, upon application of either party, order the taking of testimony of any person by deposition upon oral examination or written interrogatories before any officer authorized to administer oaths at the place of examination, for use as evidence or for purpose of discovery. The application for order shall specify whether the purpose of the deposition is discovery or for use as evidence.

(c) Orders on Depositions—The time, place, and manner of taking depositions shall be as mutually agreed by the parties, or failing such agreement, governed by order of the Board.

(d) Use as Evidence—No testimony taken by depositions shall be considered as part of the evidence in the hearing of an appeal until such testimony is offered and received in evidence at such hearing. It will not ordinarily be received in evidence if the deponent is present and can testify at the hearing. In such instances, however, the deposition may be used to contradict or impeach the testimony of the deponent given at the hearing. In cases submitted on the record, the Board may, in its discretion, receive depositions to supplement the record.

(e) Expenses—Each party shall bear its own expenses associated with the taking of any deposition.

(f) Subpoenas—Where appropriate, a party may request the issuance of a subpoena under the provisions of Rule 21.

RULE 15. INTERROGATORIES TO PARTIES, ADMISSION OF FACTS, AND PRODUCTION AND INSPECTION OF DOCUMENTS

After an appeal has been docketed and complaint filed with the Board, a party may serve on the other party: (a) Written interrogatories to be answered separately in writing, signed under oath and answered or objected to within 45 days after service; (b) a request for the admission of specified facts and/or of the authenticity of any documents, to be answered or objected to within 45 days after service; the factual statements and/or the authenticity of the documents to be deemed admitted upon failure of a party to
respond to the request; and (c) a request for the production, inspection, and copying of any documents or objects not privileged, which reasonably may lead to the discovery of admissible evidence, to be answered or objected to within 45 days after service. The Board may allow a shorter or longer time. Any discovery engaged in under this Rule shall be subject to the provisions of Rule 14(a) with respect to general policy and protective orders, and of Rule 33 with respect to sanctions.

RULE 16. SERVICE OF PAPERS OTHER THAN SUBPOENAS

Papers shall be served personally or by mail, addressed to the party upon whom service is to be made. Copies of complaints, answers, and briefs shall be filed directly with the Board. The party filing any other paper with the Board shall send a copy thereof to the opposing party, noting on the paper filed with the Board that a copy has been so furnished. Subpoenas shall be served as provided in Rule 21.

HEARINGS

RULE 17. WHERE AND WHEN HELD

Hearings will be held at such places determined by the Board to best serve the interests of the parties and the Board. Hearings will be scheduled at the discretion of the Board with due consideration to the regular order of appeals, Rule 12 requirements, and other pertinent factors. On request or motion by either party and for good cause, the Board may, in its discretion, adjust the date of a hearing.

RULE 18. NOTICE OF HEARINGS

The parties shall be given at least 15 days notice of the time and place set for hearings. In scheduling hearings, the Board will consider the desires of the parties and the requirement for just and inexpensive determination of appeals without unnecessary delay. Notices of hearings shall be promptly acknowledged by the parties.

RULE 19. UNEXCUSED ABSENCE OF A PARTY

The unexcused absence of a party at the time and place set for hearing will not be occasion for delay. In the event of such absence, the hearing will proceed and the case will be regarded as submitted by the absent party as provided in Rule 11.

RULE 20. HEARINGS: NATURE, EXAMINATION OF WITNESSES

(a) Nature of Hearings—Hearings shall be as informal as may be reasonable and appropriate under the circumstances. The appellant and the Government may offer such evidence as they deem appropriate and as would be admissible under the Federal Rules of Evidence or in the sound discretion of the presiding Administrative Judge or examiner. Stipulations of fact agreed upon by the parties may be regarded and used as evidence at the hearing. The parties may stipulate the testimony that would be given by a witness if the witness were present. The Board may require evidence in addition to that offered by the parties.

(b) Examination of Witnesses—Witnesses before the Board will be examined orally under oath or affirmation, unless the presiding Administrative Judge or examiner shall otherwise order. If the testimony of a witness is not given under oath, the Board may advise the witness that his or her statements may be subject to the provisions of Title 18, United States Code, sections 287 and 1001, and any other provision of law imposing penalties for knowingly making false representations in connection with claims against the United States or in any matter within the jurisdiction of any department or agency thereof.

RULE 21. SUBPOENAS

(a) General—Upon written request of either party filed with the Recorder, or on his or her own initiative, the Administrative Judge to whom an appeal is assigned or who is otherwise designated by the Chairman may issue a subpoena requiring:

(1) Testimony at a deposition—the deposing of a witness in the city or county where the witness resides or is employed or transacts business in person, or at another location convenient for the witness that is specifically determined by the Board;

(2) Testimony at a hearing—the attendance of a witness for the purpose of taking testimony at a hearing; and

(3) Production of books and papers—in addition to (1) or (2), the production by the witness at the deposition or hearing of books and papers (including electronically stored information and other tangible things) designated in the subpoena.

(b) Voluntary Cooperation—Each party is expected (i) to cooperate and make available witnesses and evidence under its control as requested by the other party, without issuance of a subpoena, and (ii) to secure voluntary attendance of desired third-party witnesses and production of desired third-party books, papers, documents, or tangible things whenever possible.

(c) Requests for Subpoena—

(1) A request for subpoena shall normally be filed at least:

(i) 15 days before a scheduled deposition where the attendance of a witness at a deposition is sought; or

(ii) 30 days before a scheduled hearing where the attendance of a witness at a hearing is sought.
In its discretion, the Board may honor requests for subpoenas not made within these time limitations.

(2) A request for a subpoena shall state the reasonable scope and general relevance to the case of the testimony and of any books and papers sought.

(d) Requests to Quash or Modify—Upon written request by the person subpoenaed or by a party, made within 10 days after service but in any event not later than the time specified in the subpoena for compliance, the Board may (i) quash or modify the subpoena if it is unreasonable and oppressive or for other good cause shown, or (ii) require the person in whose behalf the subpoena was issued to advance the reasonable cost of producing subpoenaed books and papers. Where circumstances require, the Board may act upon such a request at any time after a copy of the request has been served upon the opposing party.

(e) Form: Issuance—

(1) Every subpoena shall state the name of the Board and the title of the appeal, and shall command each person to whom it is directed to attend and give testimony, and if appropriate, to produce specified books and papers at a time and place therein specified. In issuing a subpoena to a requesting party, the Administrative Judge shall sign the subpoena and may, in his or her discretion, enter the name of the witness and otherwise leave it blank. The party to whom the subpoena is issued shall complete the subpoena before service.

(2) Where the witness is located in a foreign country, a letter rogatory or subpoena may be issued and served under the circumstances and in the manner provided in 28 U.S.C. 1781–1784.

(f) Service—

(1) The party requesting issuance of a subpoena shall arrange for service.

(2) A subpoena requiring the attendance of a witness at a deposition or hearing may be served at any place. A subpoena may be served by a United States marshal or deputy marshal, or by any other person who is not a party and not less than 18 years of age. Service of a subpoena upon a person named therein shall be made by personally delivering a copy to that person and tendering the fees for one day's attendance and the mileage provided by 28 U.S.C. 1821 or other applicable law; however, where the subpoena is issued on behalf of the Government, money payments need not be tendered in advance of attendance.

(3) The party at whose instance a subpoena is issued shall be responsible for the payment of fees and mileage of the witness and of the officer who serves the subpoena. The failure to make payment of such charges on demand may be deemed by the Board as a sufficient ground for striking the testimony of the witness and the books or papers the witness has produced.

(g) Contumacy or Refusal to Obey a Subpoena—In case of contumacy or refusal to obey a subpoena by a person who resides, is found, or transacts business within the jurisdiction of a United States District Court, the Board will apply to the Court through the Attorney General of the United States for an order requiring the person to appear before the Board or a member thereof to give testimony or produce evidence or both. Any failure of any such person to obey the order of the Court may be punished by the Court as a contempt thereof.

RULE 22. COPIES OF PAPERS

When books, records, papers, or documents have been received in evidence, a true copy thereof or of such part thereof as may be material or relevant may be substituted therefor, during the hearing or at the conclusion thereof.

RULE 23. POST-HEARING BRIEFS

Post-hearing briefs may be submitted upon such terms as may be directed by the presiding Administrative Judge or examiner at the conclusion of the hearing.

RULE 24. TRANSCRIPT OF PROCEEDINGS

Testimony and argument at hearings shall be reported verbatim, unless the Board otherwise orders. Waiver of transcript may be especially suitable for hearings under Rule 12.2. Transcripts of the proceedings shall be supplied to the parties at such rates as may be established by contract between the Board and the reporter, provided that ordinary copy of transcript shall be supplied to the appellant at an amount no greater than the cost of duplication.

RULE 25. WITHDRAWAL OF EXHIBITS

After a decision has become final the Board may, upon request and after notice to the other party, in its discretion permit the withdrawal of original exhibits, or any part thereof, by the party entitled thereto. The substitution of true copies of exhibits or any part thereof may be required by the Board in its discretion as a condition of granting permission for such withdrawal.

REPRESENTATION

RULE 26. THE APPELLANT

An individual appellant may appear before the Board in person; a corporation by one of its officers; and a partnership or joint venture by one of its members; or any of these by an attorney at law duly licensed in any State, commonwealth, territory, the District of Columbia, or in a foreign country. An attorney representing an appellant shall file a written notice of appearance with the Board.
RULE 27. THE GOVERNMENT

Government counsel may, in accordance with their authority, represent the interest of the Government before the Board. They shall file notices of appearance with the Board, and notice thereof will be given the appellant or the appellant’s attorney in the form specified by the Board from time to time.

DECISIONS

RULE 28. DECISIONS

(a) Decisions of the Board will be made in writing and authenticated copies of the decision will be forwarded simultaneously to both parties. The Rules of the Board and all final orders and decisions (except those required for good cause to be held confidential and not cited as precedents) shall be open for public inspection at the offices of the Board. Decisions of the Board will be made solely upon the record, as described in Rule 13.

(b) Any monetary award to a contractor by the Board shall be promptly paid in accordance with the procedures provided by 31 U.S.C. 1304, as amended. To assure prompt payment the Recorder will forward the required forms to each party with the decision. If the parties do not contemplate an appeal or motion for reconsideration, they will execute the waiver forms which so state. The Government agency will forward the waiver and other forms with a copy of the decision to the Department of the Treasury for certification of payment.

MOTION FOR RECONSIDERATION

RULE 29. MOTION FOR RECONSIDERATION

A motion for reconsideration may be filed by either party. It shall set forth specifically the grounds relied upon to sustain the motion. The motion shall be filed within 30 days from the date of the receipt of a copy of the decision of the Board by the party filing the motion.

SUSPENSIONS, DISMISSALS, DEFAULTS, REMANDS

RULE 30. SUSPENSIONS; DISMISSAL WITHOUT PREJUDICE

The Board may suspend the proceedings by agreement of counsel for settlement discussions, or for good cause shown. In certain cases, appeals docketed before the Board are required to be placed in a suspense status and the Board is unable to proceed with disposition thereof for reasons not within the control of the Board. Where the suspension has continued, or may continue, for an inordinate length of time, the Board may, in its discretion, dismiss such appeals from its docket without prejudice to their restoration when the cause of suspension has been removed. Unless either party or the Board acts within three years to reinstate any appeal dismissed without prejudice, the dismissal shall be deemed to be with prejudice.

RULE 31. DISMISSAL OR DEFAULT FOR FAILURE TO PROSECUTE OR DEFEND

Whenever a record discloses the failure of either party to file documents required by these Rules, respond to notices or correspondence from the Board, comply with orders of the Board, or otherwise indicates an intention not to continue the prosecution or defense of an appeal, the Board may, in the case of a default by the appellant, issue an order to show cause why the appeal should not be dismissed or, in the case of a default by the Government, issue an order to show cause why the Board should not act thereon pursuant to Rule 35. If good cause is not shown, the Board may take appropriate action.

RULE 32. REMAND FROM COURT

Whenever any court remands a case to the Board for further proceedings, each of the parties shall, within 20 days of such remand, submit a report to the Board recommending procedures to be followed so as to comply with the court’s order. The Board shall consider the reports and enter special orders governing the handling of the remanded case. To the extent the court’s directive and time limitations permit, such orders shall conform to these Rules.

TIME, COMPUTATION, AND EXTENSIONS

RULE 33. TIME, COMPUTATION, AND EXTENSIONS

(a) Where possible, procedural actions should be taken in less time than the maximum time allowed. Where appropriate and justified, however, extensions of time will be granted. All requests for extensions of time shall be in writing.

(b) In computing any period of time, the day of the event from which the designated period of time begins to run shall not be included, but the last day of the period shall be included unless it is a Saturday, Sunday, or a Federal legal public holiday, in which event the period shall run to the end of the next business day.

EX PARTE COMMUNICATIONS

RULE 34. EX PARTE COMMUNICATIONS

No member of the Board or of the Board’s staff shall entertain, nor shall any person directly or indirectly involved in an appeal, submit to the Board or the Board’s staff, off the record, any evidence, explanation, analysis, or advice, whether written or oral, regarding any matter at issue in an appeal.
This provision does not apply to consultation among Board members or to ex parte communications concerning the Board’s administrative functions or procedures.

SANCTIONS

RULE 35. SANCTIONS

If any party fails or refuses to obey an order issued by the Board, the Board may then make such order as it considers necessary to the just and expeditious conduct of the appeal.

EFFECTIVE DATE AND APPLICABILITY

RULE 36. EFFECTIVE DATE

These Rules shall apply

(a) Mandatorily, to all appeals relating to contracts entered into on or after 1 March 1979, and

(b) At the contractor’s election, to appeals relating to earlier contracts, with respect to claims pending before the contracting officer on 1 March 1979 or initiated thereafter.

PAUL WILLIAMS MAY 11, 2011
CHAIRMAN
ARMS SERVICES BOARD OF CONTRACT APPEALS


APPENDIXES B–E TO CHAPTER 2
[RESERVED]

APPENDIX F TO CHAPTER 2—MATERIAL INSPECTION AND RECEIVING REPORT

Part 1—Introduction

Sec.

F–101 General.

F–102 Applicability.

F–103 Use.

F–104 Application.

Part 2—Contract Quality Assurance On Shipments Between Contractors

F–201 Procedures.

Part 3—Preparation of the Wide Area Workflow Receiving Report (WAWF RR)

F–301 Preparation instructions.


F–303 Consolidated shipments.

F–304 Correction instructions.

F–305 Invoice instructions.

F–306 Packing list instructions.

F–307 Receiving instructions.

Part 4—Preparation of the DD Form 250 and DD Form 250C

F–401 Preparation instructions.


F–403 Consolidated shipments.

F–404 Multiple consignee instructions.

F–405 Correction instructions.

F–406 Invoice instructions.

F–407 Packing list instructions.

F–408 Receiving instructions.

Part 5—Distribution of Wide Area Workflow Receiving Report (WAWF RR), DD Form 250 and DD Form 250C

F–501 Distribution of WAWF RR.

F–502 Distribution of DD Form 250 and DD Form 250C.

Part 6—Preparation of the DD Form 250–1 (Loading Report)

F–601 Instructions.

Part 7—Preparation of the DD Form 250–1 (Discharge Report)

F–701 Instructions.

Part 8—Distribution of the DD Form 250–1

F–801 Distribution.

F–802 Corrected DD Form 250–1.

PART 1—Introduction

F–101 General.

(a) This appendix contains procedures and instructions for the use, preparation, and distribution of the Wide Area Workflow Receiving Report (WAWF RR), the DD Form 250, Material Inspection and Receiving Report (MIRR) and (DD Form 250 series equivalents) and commercial shipping/packing lists used to document Government contract quality assurance.

(b) The use of the DD Form 250 is on an exception basis (see DFARS 232.7003(a)) because use of the WAWF RR is now required by most DoD contracts. WAWF provides for electronic preparation and documentation of acceptance of supplies and services, and electronic invoicing. In addition WAWF allows the printing of a RR that can be used as a packing list or when a signed copy is required.

F–102 Applicability.

(a) DFARS 252.232–7033, Electronic Submission of Payment Requests and Receiving Reports, requires payment requests and receiving reports using WAWF in nearly all cases.

(b) The provisions of this appendix also apply to supplies or services acquired by DoD when the clause at DFARS 252.236–7000, Material Inspection and Receiving Report, is included in the contract.

(c) When DoD provides quality assurance or acceptance services for non-DoD activities, prepare a MIRR using the instructions in this appendix, unless otherwise specified in the contract.

F–103 Use.

(a) The WAWF RR and the DD Form 250 are multipurpose reports used—

(1) To provide evidence of Government contract quality assurance at origin or destination;
(2) To provide evidence of acceptance at origin, destination, or other;
(3) For packing lists;
(4) For receiving;
(5) For shipping;
(6) As a contractor invoice (the WAWF RR or DD Form 250 alone cannot be used as an invoice, however the option exists to create an invoice from the Receiving Report or a Combo (Invoice and Receiving Report) both of which minimize data entry); and
(7) As commercial invoice support.
(b) Do not use the WAWF RR or the DD Form 250 for shipments—
(1) By subcontractors, unless the subcontractor is shipping directly to the Government;
or
(2) Of contract inventory. The WAWF Property Transfer document should be used for this type of shipment. Training for the preparation of this document type is available at https://wawftraining.eb.mil, under the Property Transfer and Receipt section.
(c) The contractor prepares the WAWF RR or the DD Form 250, except for entries that an authorized Government representative is required to complete. When using a paper DD Form 250, the contractor shall furnish sufficient copies of the completed form, as directed by the Government representative.
(d) Use the DD Form 250–1:
(1) For bulk movements of petroleum products by tanker or barge to cover—
(i) Origin or destination acceptance of cargo; or
(ii) Shipment or receipt of Government owned products.
(2) To send quality data to the point of acceptance in the case of origin inspection on FOB destination deliveries or preinspection at product source. Annotate the forms with the words “INSPECTED FOR QUALITY ONLY”;
(e) In addition to the above uses, the WAWF RR provides additional functionality, not provided by the paper DD Form 250 that complies with the following requirements:
(1) Item Unique Identification (UID), when the clause at DFARS 252.211–7003, Item Identification and Valuation, is used in the contract, reporting of UID data is required. WAWF captures the UID data and forwards the data to the UID registry after acceptance. WAWF can be used to report Unique Item Identifiers (UIIs) at the line item level and also UIIs embedded at the line item level.
(2) Radio Frequency Identification (RFID), when the clause at DFARS 252.211–7006, Radio Frequency Identification, is used in the contract, WAWF will capture the RFID information and forward the data to the receiving location. Using WAWF is the only way a contractor can comply with the clause to furnish RFID data via an Advance Shipping Notice (ASN). The RFID information may be added at time of submission, or via the WAWF Pack Later functionality after acceptance.

F–104 Application.
(a) WAWF RR and DD Form 250.
(1) Use the WAWF RR or DD Form 250 for delivery of contract line, subline, exhibit line, or exhibit subline items. Do not use the WAWF RR or DD Form 250 for those exhibit line or exhibit subline items on a DD Form 1423, Contract Data Requirements List, which indicate no DD Form 250 is required.
(2) If the shipped to, marked for, shipped from, mode of shipment, contract quality assurance and acceptance data are the same for more than one shipment made on the same day under the same contract, contractors may prepare one WAWF RR or DD Form 250 to cover all such shipments.
(3) If the volume of the shipment precludes the use of a single car, truck, or other vehicle, prepare a separate WAWF RR or DD Form 250 for the contents of each vehicle.
(4) When a shipment is consigned to an Air Force activity and the shipment includes items of more than one Federal supply class (FSC) or material management code (MMC), prepare a separate WAWF RR or DD Form 250 for items of each of the FSCs or MMCS in the shipment. However, the cognizant Government representative may authorize a single WAWF RR or DD Form 250, listing each of the FSCs or MMCS included in the shipment on a separate continuation sheet. The MMC appears as a suffix to the national stock number applicable to the item.
(b) Consolidation of Petroleum Shipments on a Single WAWF RR or DD Form 250.
(1) Contiguous United States. Contractors may consolidate multiple car or truck load shipments of petroleum made on the same day, to the same destination, against the same contract line item, on one WAWF RR or DD Form 250. To permit verification of motor deliveries, assign each load a load number which can be identified to the shipment number in Block 2 of the DD Form 250. Include a shipping document (commercial or Government) with each individual load showing as a minimum—
(A) The shipper;
(B) Shipping point;
(C) Consignee;
(D) Contract and line item number;
(E) Product identification;
(F) Gross gallons (bulk only);
(G) Loading temperature (bulk only);
(H) American Petroleum Institute gravity (bulk only);
(I) Identification of carrier’s equipment;
(J) Serial number of all seals applied; and
(K) Signature of supplier’s representative.
When acceptance is at destination, the receiving activity retains the shipping document(s) to verify the entries on the consignee copy of the DD Form 250 forwarded by
Defense Acquisition Regulations System, DOD  Ch. 2, App. F

Part 2—Contract Quality Assurance on Shipments Between Contractors

F–201 Procedures

Follow the procedures at PGI F–201 for evidence of required Government contract quality assurance at a subcontractor’s facility.

Part 3—Preparation of the Wide Area Workflow Receiving Report (WAWF RR)

F–301 Preparation instructions.

(a) General.

(1) Preparation instructions and training for the WAWF RR are available at https://wawftraining.mil. The instructions on preparing a WAWF RR are part of the Vendor Training section.

(2) Prime contractors can direct subcontractors to prepare and submit documents in WAWF by giving their subcontractors access to WAWF via the creation of a Commercial and Government Entity (CAGE) extension to the prime CAGE.

(3) If the contract is in Electronic Document Access (EDA) (DoD’s contract repository), then the WAWF system will automatically populate all available and applicable contract data.

(4) When source acceptance is required, WAWF will populate the “Inspect By” with the “Admin by” Department of Defense Activity Address Code (DoDAAC). The vendor shall change the DoDAAC if Government Source Inspection (GSI) is performed at other than the “Admin By.”

(b) Completion instructions.

(1) Contract no/delivery order No.

(i) Enter the 13-position alpha-numeric basic Procurement Instrument Identification Number (PIIN) of the contract. When applicable, enter the four-position alpha-numeric call/order serial number that is supplementary to the 13-position basic PIIN. This number is also referred to as the Supplementary Procurement Instrument Identification Number ($PIIN). Use SPIIN for (also see Subpart 204.70)—

(A) Delivery orders under indefinite-delivery type contracts;

(ii) The name or names;

(iii) Location and shipping point of the mine or mines from which the coal originates;

(iv) The contract number;

(v) The exact size of the coal shipped; and

(vi) A certified weighmaster’s certification of weight for the truckload.

Include a waybill with each rail shipment showing the identical information. To permit verification of rail deliveries, identify each railcar number comprising the shipment to the shipper number in Block 2 of the DD Form 250 and the analytical test report. When acceptance is at destination, the receiving activity must retain the shipping document(s) to verify the entries on the consignee copy of the DD Form 250.

(b) DD Form 250–1.

(1) Use a separate form for each tanker or barge cargo loaded.

(2) The contractor may report more than one barge in the same tow on a single form if from the same loading source.

(iii) The whipper;

(iv) Any fields that have been pre-filled may be changed.

(4) WAWF will populate the address information for CAGE codes, DoDAACs, and MAPACs from CCR and DAAS. These sites are the DoD definitive sources for address information. Any fields that have been pre-filled may be changed or additional information added.

(i) When source acceptance is required, WAWF will populate the “Inspect By” with the “Admin by” Department of Defense Activity Address Code (DoDAAC). The vendor shall change the DoDAAC if Government Source Inspection (GSI) is performed at other than the “Admin By.”

(3) If the contract is in Electronic Document Access (EDA) (DoD’s contract repository), then the WAWF system will automatically populate all available and applicable contract data.

(4) When source acceptance is required, WAWF will populate the “Inspect By” with the “Admin by” Department of Defense Activity Address Code (DoDAAC). The vendor shall change the DoDAAC if Government Source Inspection (GSI) is performed at other than the “Admin By.”

(ii) Any fields that have been pre-filled may be changed.

(iii) WAWF will also verify that CAGE codes are valid and active in the CCR (Central Contractor Registration), and that DoDAACs and Military Assistance Program Address Codes (MAPACs) are valid in Defense Automatic Addressing System (DAAS).

(4) Do not include classified information in WAWF.

(b) Completion instructions.

(1) Contract no/delivery order No.

(i) Enter the 13-position alpha-numeric basic Procurement Instrument Identification Number (PIIN) of the contract. When applicable, enter the four-position alpha-numeric call/order serial number that is supplementary to the 13-position basic PIIN. This number is also referred to as the Supplementary Procurement Instrument Identification Number ($PIIN). Use SPIIN for (also see Subpart 204.70)—

(A) Delivery orders under indefinite-delivery type contracts;
Ch. 2, App. F

(B) Orders under basic ordering agreements; and
(C) Calls under blanket purchase agreements.
(ii) Except as indicated in paragraph (b)(1)(iii) of this appendix, do not enter supplementary numbers used in conjunction with basic PIINs to identify—
(A) Modifications of contracts and agreements;
(B) Modifications to calls or orders; or
(C) Document numbers representing contracts written between contractors.
(iii) When shipping instructions are furnished and shipment is made before receipt of the confirming contract modification (SF 30, Amendment of Solicitation/Modification of Contract), enter a comment in the Misc. Info Tab to this effect. This will appear in the Comments section of the printed WAWF RR.
(iv) For DoD delivery orders on non-DoD contracts, enter the non-DoD contract number in the contract number field and, when applicable, delivery order number in the delivery order field.
(2) Shipment No.
(i) The shipment number format requires first three data positions to be alpha, fourth position numeric, and last three positions numeric, e.g., DFAR001 or DAR0001.
Any document used as a packing list must assign alpha-numeric numbers with the following alpha-numeric sequence:

(A) The prime contractor shall control and assign the shipment number prefix. The shipment number shall consist of three alphabetic characters for each “Shipped From” address. The shipment number prefix shall be different for each “Shipped From” address and shall remain constant throughout the life of the contract. The prime contractor may assign separate prefixes when shipments are made from different locations within a facility identified by one “Shipped From” address.

(B) Number the first shipment 0001 for shipments made under the contract or contract and order number from each “Shipped From” address, or shipping location within the “Shipped From” address. Consecutively number all subsequent shipments with the identical shipment number prefix. While shipments should be created sequentially they can be released and accepted out of sequence.

(ii) Use alpha-numeric serial numbers when more than 9,999 numbers are required. Serially assign alpha-numeric numbers with the alpha in the first position (the letters I and O shall not be used) followed by the three-position numeric serial number. Use the following alpha-numeric sequence:

\[
\text{A000 through A999 (10,000 through 10,999)} \\
\text{B000 through B999 (11,000 through 11,999)} \\
\text{C000 through C999 (12,000 through 12,999)} \\
\text{D000 through D999 (13,000 through 13,999)} \\
\text{E000 through E999 (14,000 through 14,999)} \\
\text{F000 through F999 (15,000 through 15,999)} \\
\text{G000 through G999 (16,000 through 16,999)} \\
\text{H000 through H999 (17,000 through 17,999)} \\
\text{I000 through I999 (18,000 through 18,999)} \\
\text{J000 through J999 (19,000 through 19,999)} \\
\text{K000 through K999 (20,000 through 20,999)} \\
\text{L000 through L999 (21,000 through 21,999)} \\
\text{M000 through M999 (22,000 through 22,999)} \\
\text{N000 through N999 (23,000 through 23,999)} \\
\text{O000 through O999 (24,000 through 24,999)} \\
\text{P000 through P999 (25,000 through 25,999)} \\
\text{Q000 through Q999 (26,000 through 26,999)} \\
\text{R000 through R999 (27,000 through 27,999)} \\
\text{S000 through S999 (28,000 through 28,999)} \\
\text{T000 through T999 (29,000 through 29,999)} \\
\text{U000 through U999 (30,000 through 30,999)} \\
\text{V000 through V999 (31,000 through 31,999)} \\
\text{W000 through W999 (32,000 through 32,999)} \\
\text{X000 through X999 (33,000 through 33,999)} \\
\text{Y000 through Y999 (34,000 through 34,999)} \\
\text{Z000 through Z999 (35,000 through 35,999)}
\]

(2) When this series is completely used, the shipment number prefix will have to be changed when the series is completely used. WAWF will not allow duplicate shipment numbers to be created against a contract or contract and delivery order.

(ii) Reassign the shipment number of the initial shipment where a “Replacement Shipment” is involved (see paragraph (b)(16)(iv)(F) of this appendix).
(iii) The prime contractor shall control deliveries and on the final shipment of the contract shall end the shipment number with a “Z.” Where the final shipment is from other than the prime contractor’s plant, the prime contractor may elect either to—

(A) Direct the subcontractor making the final shipment to end that shipment number with a “Z”; or
(B) Upon determination that all sub-contractors have completed their shipments, to correct the DD Form 250 (see F–304) covering the final shipment made from the prime contractor’s plant by addition of a “Z” to that shipment number.
(iv) Contractors follow the procedures in F–305 to use commercial invoices.
(3) Date shipped. Enter the date the shipment is released to the carrier or the date the services are completed. If the shipment will be released after the date of contract quality assurance and/or acceptance, enter the estimated date of release. When the date is estimated, enter an “E” or select an “E” from the drop down menu in the “Estimated” block after the date. Do not delay submission of the WAWF RR for lack of entry of the actual shipping date. Correction of the WAWF RR is not required to show the actual shipping date (see F–303). Once the document is submitted the shipment date cannot be changed.
(4) B/L TCN. When applicable, enter—

(A) The commercial or Government bill of lading number after “B/L.” WAWF provides the capability to separately and correctly identify the Government Bill of Lading (GBL) from a Commercial Bill of Lading (CBL). An authorized user will select whether the entered bill of lading number is either a GBL number or a CBL number.

(B) The transportation control number must be a 17 alpha/numeric digit min/max field, and WAWF provides the capability to enter two secondary transportation tracking numbers.
(5) Line haul mode. Select the Line Haul Mode of Shipment code from a drop down menu in WAWF.
(6) Inspection and acceptance point. Enter an “S” for Origin or “D” for Destination. In addition to “S” and “D,” WAWF allows acceptance at Other (O). For purposes of conforming to contract, “O” is equivalent to “D.” In WAWF, destination acceptance is performed by the “Ship to” DODAAC organization and “Other” permits the acceptance
of destination documents at a location other than the “Ship to.” The goods or services will be shipped to one location and the paperwork will be routed to another location for the actual acceptance.

(7) Prime contractor code. Enter the prime CAGE code to which the contract was awarded.

(8) Administered by code. Enter the DoDAAC code of the contract administration office cited in the contract.

(9) Shipped from code. Enter the DoDAAC, MAPAC, or CAGE code of the “Shipped From” location. If it is the same as the CAGE code leave blank.

(10) FOB. Enter an “S” for Origin or “D” for Destination as specified in the contract. Enter an alphabetic “O” if the “FOB” point cited in the contract is other than origin or destination.

(11) Payment will be made by code. Enter the DoDAAC code of the payment office cited in the contract.

(12) Shipped to code. Enter the DoDAAC, MAPAC, or CAGE code from the contract or shipping instructions.

(13) Marked for code. Enter the code from the contract or shipping instructions. Only valid DoDAACs, MAPACs, or CAGE codes can be entered. Vendors should use the WAWF “Mark for Reg” and “Mark for Secondary” fields for textual marking information specified in the contract.

(14) Item No. Enter the item number used in the contract. Use a valid 4 or 6 character line item number under the Uniform Contract Line Item Numbering System (see 204.71). Line item numbers with 6 characters with numbers in the final two positions are not deliverable or bailable.

(15) Stock/part number/description.

(i) Enter the following for each line item:

(A) The national stock number (NSN) or noncatalog number. If the contract contains NSNs as well as other identification (e.g., part numbers) the contractor should place the NSN information in the Stock Part Number field and the remaining numbers in the line item description field. The data entered in the NSN field must reflect the NSN of the material item being shipped and should be a valid NSN. If a valid “Type” is available, the word “NONE” may be entered for the Stock Part Number, with a corresponding “Type” of any value other than NSN selected from the drop-down box.

(B) In the description field, if required by the contract for control purposes, enter: The make, model, serial number, lot, batch, hazard indicator, or similar description.

(C) The Military Standard Requisitioning and Issue Procedures (MILSTRIP) must be placed on the MILSTRIP Tab, not in the line item description field. Enter the MILSTRIP data for each CLIN when MILSTRIP data is identified in the contract.

(ii) For service line items, select SV for “SERVICE” in the type field followed by as short a description as is possible in the description field. Some examples of service line items are maintenance, repair, alteration, rehabilitation, engineering, research, development, training, and testing. The “Ship To” code and the “Unit” will have to be filled out. The “Shipped To” code is the destination Service Acceptor Code for WAWF. If source inspected and accepted enter the service performance location as the “Ship To” code.

(iii) For all contracts administered by the Defense Contract Management Agency, with the exception of fast pay procedures, enter the gross weight of the shipment.

(iv) In the description field enter the following as appropriate (entries may be extended through Block 20):

(A) Enter in capital letters any special handling instructions/limits for material environmental control, such as temperature, humidity, aging, freezing, shock, etc.

(B) When a shipment is chargeable to Navy appropriation 17X911, enter the appropriation, bureau control number (BCN), and authorization accounting activity (AAA) number (e.g., 17X911–14003–104).

(C) When the Navy transaction type code (TC), “2T” or “7T” is included in the appropriation data, enter “TC 2T” or “TC 7T.”

(D) When an NSN is required by but not cited in a contract and has not been furnished by the Government, the contractor may make shipment without the NSN at the direction of the contracting officer. Enter the authority for such shipment.

(E) When Government furnished property (GFP) is included with or incorporated into the line item, enter the letters “GFP.”

(F) On shipments of Government furnished aeronautical equipment (GFAE) under Air Force contracts, enter the assignment AERNO control number, e.g., “AERNO 60–6354.”

(G) For items shipped with missing components, enter and complete the following:

“Item(s) shipped short of the following components: NSN or comparable identification Quantity Estimated Value Authority”

(H) When shipment is made of components which were short on a prior shipment, enter and complete the following:
(i) When shipments involve drums, cylinders, several containers, skids, etc., designated as returnable under contract provisions, enter and complete the following: "Return to ____ , Quantity ______, Ownership (Government/contractor)."

(j) Enter the total number of shipping containers, the type of containers, and the container number(s) assigned for the shipment.

(k) On foreign military sales (FMS) shipments, enter the special markings, and FMS case identifier from the contract. Also enter the gross weight.

(l) When test/evaluation results are a condition of acceptance and are not available prior to shipment, the following note shall be entered if the shipment is approved by the contracting officer: "Note: Acceptance and payment are contingent upon receipt of approved test/evaluation results."

The contracting officer will advise—

(1) The consignee of the results (approval/disapproval); and

(2) The contractor to withhold invoicing pending attachment of the approved test/evaluation results.

(M) For clothing and textile contracts containing a bailment clause, enter the words "GFP UNIT VALUE."

(N) When the initial unit incorporating an approved value engineering change proposal (VECP) is shipped, enter the following statement:

This is the initial unit delivered which incorporates VECP No. _______, Contract Modification No. _______, dated _______.

(16) Quantity shipped/received.

(i) Enter the quantity shipped, using the unit of measure in the contract for payment. When a second unit of measure is used for purposes other than payment, enter the appropriate quantity in the description field.

(ii) On the final shipment of a line item of a contract containing a clause permitting a variation of quantity and an underrun condition exists, the prime contractor shall choose the Ship Advice Code "Z". Where the final shipment is from other than the prime contractor's plant and an underrun condition exists, the prime contractor may elect to direct the subcontractor making the final shipment to choose the Ship Advice Code "Z".

(iii) When the Government is performing destination acceptance the acceptor should enter actual quantity received in apparent good condition in the "Qty. Accepted" field of the Acceptance Line Item Tab.

(17) Unit of measure. Enter the abbreviation of the unit measure as indicated in the contract for payment. Where a second unit of measure is indicated in the contract for purposes other than payment or used for shipping purposes, enter the second unit of measure in the description field. Authorized abbreviations are listed in MIL-STD-129, Marking for Shipping and Storage and in the WAWF Unit of Measure Table Link. For example, LB for pound, SH for sheet.

(18) Unit price. The contractor may, at its option, enter unit prices on all WAWF RR copies, except as a minimum:

(i) The contractor shall enter unit prices for each item of property fabricated or acquired for the Government and delivered to a contractor as Government furnished property (GFP). Get the unit price from Section B of the contract. If the unit price is not available, use an estimate. The estimated price should be the contractor's estimate of what the items will cost the Government. When the price is estimated, enter "Estimated Unit Price" in the description field. However, if the contract has Item Unique Identification (IUID) requirements and the receiving report is being processed in WAWF, the unit price represents the acquisition cost that will be passed to the IUID registry. Therefore, the unit price is required (see the clause at DFARS 223.211–7033, Item Identification and Valuation). When delivering GFP via WAWF to another contractor, WAWF will initiate a property transfer if the vendor who is initiating the WAWF RR is also registered as a vendor property shipper in WAWF and the vendor receiving the property is also a vendor property receiver in WAWF.

(ii) For clothing and textile contracts containing a bailment clause, enter the cited Government furnished property unit value as "GFP UNIT VALUE" in the description field.

(19) Amount. WAWF will calculate and populate the amount by multiplying the unit price times the quantity.

(20) Contract Quality Assurance (CQA).

(i) The words "conform to contract" contained in the text above the signature block in the WAWF RR Header Tab relate to quality and to the quantity of the items on the report. Enter notes taking exception in Misc. Info Tab comment field or on attached supporting documents with an appropriate block cross-reference.

(ii) When a shipment is authorized under an alternative release procedure, contractors will execute the alternative release procedure in WAWF by including the appropriate indicator in the electronic transaction rather than through inclusion or attachment of the text of the certificate. The alternative release procedure only provides for release of shipment; Government acceptance must still be indicated by a Government official's signature on the WAWF RR.

(iii) When contract terms provide for use of Certificate of Conformance and shipment is made under these terms, contractors will
execute Certificates in WAWF by including the appropriate indicator in the electronic transaction rather than through inclusion or attachment of the text of the certificate. Government acceptance must still be indicated by a Government official’s signature on the WAWF RR.

(iv) Origin.
(A) The authorized Government representative must:—
(1) Place an “X” in the appropriate CQA and/or acceptance box(es) to show origin CQA and/or acceptance; and
(2) Sign and date.
WAWF will enter the typed, stamped, or printed name, title, email address, and commercial telephone number.

(B) When fast pay procedures apply, the contractor or subcontractor shall select “FAST PAY” when creating the WAWF RR. When CQA is required, the authorized Government representative shall execute the block as required by paragraph (A).

(v) Destination. When CQA and acceptance or acceptance is at destination, the authorized Government representative must—
(A) Place an “X” in the appropriate box(es); and
(B) Sign and date.
WAWF will enter the typed, stamped, or printed name, title, email address, and commercial telephone number.

(21) Contractor use only. MISC. INFO. Self explanatory.


<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Motor, truckload.</td>
</tr>
<tr>
<td>B</td>
<td>Motor, less than truckload.</td>
</tr>
<tr>
<td>C</td>
<td>Van (unpacked, uncrated personal or Government property).</td>
</tr>
<tr>
<td>D</td>
<td>Driveway, truckaway, towaway.</td>
</tr>
<tr>
<td>E</td>
<td>Bus.</td>
</tr>
<tr>
<td>F</td>
<td>Air Mobility Command (Channel and Special Assignment Airlift Mission).</td>
</tr>
<tr>
<td>G</td>
<td>Surface parcel post.</td>
</tr>
<tr>
<td>H</td>
<td>Air parcel post.</td>
</tr>
<tr>
<td>I</td>
<td>Government trucks, for shipment outside local delivery area.</td>
</tr>
<tr>
<td>J</td>
<td>Air, small package carrier.</td>
</tr>
<tr>
<td>K</td>
<td>Rail, carload.</td>
</tr>
<tr>
<td>L</td>
<td>Rail, less than carload.</td>
</tr>
<tr>
<td>M</td>
<td>Surface, freight forwarder.</td>
</tr>
<tr>
<td>N</td>
<td>LOGAIR.</td>
</tr>
<tr>
<td>O</td>
<td>Organic military air (including aircraft of foreign governments).</td>
</tr>
<tr>
<td>P</td>
<td>Through Government Bill of Lading (TGBL).</td>
</tr>
<tr>
<td>Q</td>
<td>Commercial air freight (includes regular and expedited service provided by major airlines; charters and air taxis).</td>
</tr>
<tr>
<td>R</td>
<td>European Distribution System or Pacific Distribution System.</td>
</tr>
<tr>
<td>S</td>
<td>Scheduled Truck Service (STS) (applies to contract carriage, guaranteed traffic routings and/or scheduled service).</td>
</tr>
<tr>
<td>T</td>
<td>Air freight forwarder.</td>
</tr>
<tr>
<td>U</td>
<td>QUICKTRANS.</td>
</tr>
<tr>
<td>V</td>
<td>SEAVAN.</td>
</tr>
<tr>
<td>W</td>
<td>Water, river, lake, coastal (commercial).</td>
</tr>
<tr>
<td>X</td>
<td>Bearer, walk-thru (customer pickup of material).</td>
</tr>
</tbody>
</table>

F–304 Correction instructions.

Functionality for correcting a WAWF RR is being developed. Preparation instructions and training for corrections will be available at https://wawftraining.eb.mil once the functionality is deployed. The instructions will be part of the vendor training.

F–305 Invoice instructions.

Contractors shall submit payment requests and receiving reports in electronic form, unless an exception in DFARS 222.7002 applies. Contractor submission of the material inspection and receiving information required by this appendix by using the WAWF electronic form (see paragraph (b) of the clause at DFARS 222.232-7003) fulfills the requirement for a DD Form 250 MIRR. Contractors should ensure the packaging documentation includes a Government signed receiving report when the contract requires origin inspection and acceptance. Contractors must include a signed document indicating material receipt and acceptance has occurred in the container with the exception of material shipments that are approved for Alternative Release Procedures (ARP).

F–306 Packing list instructions.

Contractors may also use a WAWF processed RR as a packing list. WAWF provides options to print the RR. These printed RRs may also be used if a signed copy is required.

(a) WAWF provides a print capability for its RR. The WAWF printed RR can be identified by its distinctive format and by the text “Please look in WAWF for signed copy” under the “RECEIVING REPORT” title at the top of each printed page. This printed copy can be used as a packing list. If needed,
the signature can be verified by reviewing the signed RR in WAWF.

(b) Contractors can also print a RR from their systems (not WAWF). If such a signed copy is required by the contractor, the contractor will print the WAWF RR only after a signature is applied by the Government Inspector or Acceptor in WAWF. Copies printed with “original signed in WAWF” in lieu of the inspector/acceptor’s signature.

F–307 Receiving instructions.

If CQA and acceptance or acceptance of supplies is required upon arrival at destination, see F–301(b)(2)(v) for instructions.

Part 4—Preparation of the DD Form 250 and DD Form 250C

F–401 Preparation instructions.

(a) General.

(1) Dates must use nine spaces consisting of the four digits of the year, three-position alphabetic month abbreviation, and two digits for the day. For example, 2000AUG07, 2000SEP24.

(2) Addresses must consist of the name, street address/P.O. box, city, state, and ZIP code.

(3) Enter to the right of and on the same line as the word “Code” in Blocks 9 through 12 and in Block 14—

(i) The Commercial and Government Entity Handbook (H4/H8) code;

(ii) The DoD activity address code (DoDAAC) as it appears in the DoD Activity Address Directory (DoDAAD), DoD 4000.25-M; or

(iii) The Military Assistance Program Administration office cited in the contract.

(4) Enter the DoDAAC, CAGE (H4/H8), or MAPAD code in Block 13.

(5) The data entered in the blocks at the top of the DD Form 250c must be identical to the comparable entries in Blocks 1, 2, 3, and 6 of the DD Form 250.

(6) Enter overflow data from the DD Form 250 in Block 16 under Block 16 instructions, insert “See Block 16”;

(7) Do not include classified information in the MIRR. MIRRs must not be classified.

(b) Completion instructions.

(1) Block 1—Procurement instrument identification (Contract) NO. See paragraph F–301(b)(1).

(2) Block 2—Shipment no. See F–301(b)(2), Shipment no. When the series is completely used, change the shipment number prefix and start with 0001.

(3) Block 3—Date shipped. Enter the date the shipment is released to the carrier or the date the services are completed. If the shipment will be released after the date of CQA

and/or acceptance, enter the estimated date of release. When the date is estimated, enter an “E” after the date. Do not delay distribution of the MIRR for entry of the actual shipping date. Reissuance of the MIRR is not required to show the actual shipping date (see F–403).

(4) Block 4—B/L TCN. When applicable, enter—

(i) The commercial or Government bill of lading number after “B/L:”

(ii) The transportation control number after “TCN” (when a TCN is assigned for each line item on the DD Form 250 under Block 16 instructions, insert “See Block 16”);

(iii) The initial (line haul) mode of shipment code in the lower right corner of the block (see F–402).

(5) Block 5—Discount terms.

(i) The contractor may enter the discount in terms of percentages on all copies of the MIRR.

(ii) Use the procedures in F–408 when the MIRR is used as an invoice.

(6) Block 6—Invoice no./date.

(i) The contractor may enter the invoice number and actual or estimated date of invoice submission on all copies of the MIRR. When the date is estimated, enter an “E” after the date. Do not correct MIRRs other than invoice copies to reflect the actual date of invoice submission.

(ii) Use the procedures in F–406 when the MIRR is used as an invoice.

(7) Block 7—Page/of. Consecutively number the pages of the MIRR. On each page enter the total number of pages of the MIRR.

(8) Block 8—Acceptance point. Enter an “S” for Origin or “D” for destination.

(9) Block 9—Prime contractor/code. Enter the code and address.

(10) Block 10—Administered by/code. Enter the code and address of the contract administration office cited in the contract.

(11) Block 11—Shipped from/code/fob.

(i) Enter the code and address of the “Shipped From” location. If identical to Block 9, enter “See Block 9.”

(ii) For performance of services line items which do not require delivery of items upon completion of services, enter the code and address of the location at which the services were performed. If the DD Form 250 covers performance at multiple locations, or if identical to Block 9, enter “See Block 9.”

(iii) Enter on the same line and to the right of “FOB” an “S” for Origin or “D” for Destination as specified in the contract. Enter an alphabetic “O” if the “FOB” point cited in the contract is other than origin or destination.

(iv) For destination or origin acceptance shipments involving discount terms, enter “DISCOUNT EXPEDITE” in at least one-half inch outline-type style letters across
Blocks 11 and 12. Do not obliterate other information in these blocks.

(12) Block 12—Payment will be made by code. Enter the code and address of the payment office cited in the contract.

(13) Block 13—Shipped to/code. Enter the code and address from the contract or shipping instructions.

(14) Block 14—Marked for/code. Enter the code and address from the contract or shipping instructions. When three-character project codes are provided in the contract or shipping instructions, enter the code in the body of the block, prefixed by “Proj”; do not enter in the Code block.

(15) Block 15—Item No. See paragraph F–301(b)(4) with the exception to F301(b)(2)(B)2 that line item numbers not in accordance with the Uniform Contract Line Item Numbering System may be entered without regard to positioning.

(16) Block 16—Stock/part No./description. (i) Use single or double spacing between line items when there are less than four line items. Use double spacing when there are four or more line items. Enter the following for each line item:

(A) The national stock number (NSN) or noncatalog number. Where applicable, include a prefix or suffix. If a number is not provided, or it is necessary to supplement the number, include other identification such as the manufacturer’s name or Federal supply code (as published in Cataloging Handbook H4–1), and the part number. Show additional part numbers in parentheses or slashes. Show the descriptive noun of the item nomenclature and if provided, the Government assigned management/material control code. The contractor may use the following technique in the case of equal kind supply items. The first entry shall be the description without regard to kind. For example, “Shoe-Low Quarter-Black,” “Resistor,” “Vacuum Tube,” etc. Below this description, enter the contract line item number in Block 15 and Stock/Part number followed by the size or type in Block 16.

(B) On the next printing line, if required by the contract for control purposes, enter: The make, model, serial number, lot, batch, hazard indicator, or similar description.

(C) On the next printing lines enter—
(D) When a TCN is assigned for each line item, enter on the next line the transportation control number prefixed by “TCN.”

(ii) For service line items, enter the word “SERVICE” followed by as short a description as is possible in no more than 20 additional characters. Some examples of service line items are maintenance, repair, alteration, rehabilitation, engineering, research, development, training, and testing. Do not complete Blocks 4, 13, and 14 when there is no shipment of material.

(iii) For all contracts administered by the Defense Contract Management Agency, with the exception of fast pay procedures, enter and complete the following:

(Gross Shipping Wt.)

State weight in pounds only.

(iv) Starting with the next line, enter the following as appropriate (entries may be extended through Block 20). When entries apply to more than one line item in the HR, enter them only once after the last line item entry. Reference applicable line item numbers.

(A) Enter in capital letters any special handling instructions/limits for material environmental control, such as temperature, humidity, aging, freezing, shock, etc.

(B) When a shipment is chargeable to Navy appropriation 17X4911, enter the appropriation, bureau control number (BCN), and authorization accounting activity (AAA) number, e.g., 17X491–14003–104.

(C) When the Navy transaction type code (TC), “2T” or “7T,” is included in the appropriation data, enter “TC 2T” or “TC 7T.”

(D) When an NSN is required by but not cited in a contract and has not been furnished by the Government, the contractor may make shipment without the NSN at the direction of the contracting officer. Enter the authority for such shipment.

(E) When Government furnished property (GFP) is included with or incorporated into the line item, enter the letters “GFP.”

(F) When shipment consists of replacements for supplies previously furnished, enter in capital letters “REPLACEMENT SHIPMENT.” (See F–401, Block 17, for replacement indicators.)

(G) On shipments of Government furnished aeronautical equipment (GFAE) under Air Force contracts, enter the assignment AERNO control number, e.g., “AERNO 60–6354.”

(H) For items shipped with missing components, enter and complete the following:

“Item(s) shipped short of the following component(s):

NSN or comparable identification _______. Quantity _______. Estimated Value _______. Authority _______.

(I) When shipment is made of components which were short on a prior shipment, enter and complete the following:
“These components were listed as shortages on shipment number _____, date shipped _____.

(J) When shipments involve drums, cylinders, reels, containers, skids, etc., designated as returnable under contract provisions, enter and complete the following:

“Return to ___ Ownership (Government/contractor),”

(K) Enter the total number of shipping containers, the type of containers, and the container number(s) assigned for the shipment.

(L) On foreign military sales (FMS) shipments, enter the special markings, and FMS case identifier from the contract. Also enter the gross weight.

(M) When test/evaluation results are a condition of acceptance and are not available prior to shipment, the following note shall be entered if the shipment is approved by the contracting officer:

“Note: Acceptance and payment are contingent upon receipt of approved test/evaluation results.”

The contracting officer will advise—

(1) The consignee of the results (approval/disapproval); and

(2) The contractor to withhold invoicing pending attachment of the approved test/evaluation results.

(N) The copy of the DD Form 250 required to support payment for destination acceptance (top copy of those with shipment) or ARP origin acceptance shall be identified as follows: enter “PAYMENT COPY” in approximately one-half inch outline type style letters with “FORWARD TO BLOCK 12 ADDRESS” in approximately one-quarter inch letters immediately below. Do not obliterate any other entries.

(O) For clothing and textile contracts containing a bailment clause, enter the words “GFP UNIT VALUE.”

(P) When the initial unit incorporating an approved value engineering change proposal (VECP) is shipped, enter the following statement:

This is the initial unit delivered which incorporates VECP No. ___, Contract Modification No. _____, dated ___.

(Q) Block 17—Quantity shipped/received.

(i) Enter the quantity shipped, using the unit of measure in the contract for payment. When a second unit of measure is used for purposes other than payment, enter the appropriate quantity directly below in parentheses.

(ii) On the final shipment of a line item of a contract containing a clause permitting a variation of quantity and an underrun condition exists, the prime contractor shall enter a “Z” below the last digit of the quantity. Where the final shipment is from other than the prime contractor’s plant and an underrun condition exists, the prime contractor may elect either to—

(A) Direct the subcontractor making the final shipment to enter a “Z” below the quantity; or

(B) Upon determination that all subcontractors have completed their shipments, correct the DD Form 250 (see F–405) covering the final shipment of the line item from the prime contractor’s plant by addition of a “Z” below the quantity. Do not use the “Z” on deliveries which equal or exceed the contract line item quantity.

(iii) For replacement shipments, enter “A” below the last digit of the quantity, to designate first replacement, “B” for second replacement, etc. Do not use the final shipment indicator “Z” on underrun deliveries when a final line item shipment is replaced.

17. QUANTITY

SHIP/REC’D

1000

(10)

Z

(iv) If the quantity received is the same quantity shipped and all items are in apparent good condition, enter by a check mark. If different, enter actual quantity received in apparent good condition below quantity shipped and circle. The receiving activity will annotate the DD Form 250 stating the reason for the difference.

(18) Block 18—Unit. Enter the abbreviation of the unit measure as indicated in the contract for payment. Where a second unit of measure is indicated in the contract for purposes other than payment, enter the second unit of measure below in parentheses. Authorized abbreviations are listed in MIL–STD–129, Marking for Shipping and Storage. For example, LB for pound, SH for sheet.

18. UNIT

LB

(SH)

(19) Block 19—Unit price. The contractor may, at its option, enter unit prices on all MIRR copies, except as a minimum:

(i) The contractor shall enter unit prices on all MIRR copies for each item of property fabricated or acquired for the Government and delivered to a contractor as Government furnished property (GFP). Get the unit price from Section B of the contract. If the unit price is not available, use an estimate. The estimated price should be the contractor’s
Defense Acquisition Regulations System, DOD  Ch. 2, App. F

estimate of what the items will cost the Government. When the price is estimated, enter an “E” after the unit price.

(ii) Use the procedures in F–406 when the MIRR is used as an invoice.

(iii) For clothing and textile contracts containing a bailment clause, enter the cited Government furnished property unit value opposite “GFP UNIT VALUE” entry in Block 16.

(iv) Price all copies of DD Forms 250 for FMS shipments with actual prices, if available. If actual price are not available, use estimated prices. When the price is estimated, enter an “E” after the price.

(20) Block 20—AMOUNT. Enter the extended amount when the unit price is entered in Block 19.

(21) Block 21—Contract quality assurance (CQA).

(i) The words “conform to contract” contained in the printed statements in Blocks 21a and 21b relate to quality and to the quantity of the items on the report. Do not modify the statements. Enter notes taking exception in Block 16 or on attached supporting documents with an appropriate block cross-reference.

(ii) When a shipment is authorized under alternative release procedure, attach or include the appropriate contractor signed certificate on the top copy of the DD Form 250 copies distributed to the payment office or attach or include the appropriate contractor certificate on the contract administration office copy when contract administration (Block 10 of the DD Form 250) is performed by the Defense Contract Management Agency.

(iii) When contract terms provide for use of Certificate of Conformance and shipment is made under these terms, the contractor shall enter in capital letters “CERTIFICATE OF CONFORMANCE” in Block 21a on the next line following the CQA and acceptance statements. Attach or include the appropriate certificate on the contract administration office copy when contract administration (Block 10 of the DD Form 250) is performed by the Defense Contract Management Agency. In addition, attach a copy of the signed certificate to, or enter on, copies of the MIRR sent with shipment.

(iv) Origin.

(A) The authorized Government representative must—

(1) Place an “X” in the appropriate CQA and/or acceptance box(es) to show origin CQA and/or acceptance. When the contract requires CQA at destination in addition to origin CQA, enter an asterisk at the end of the statement and an explanatory note in Block 16.

(2) Sign and date;

(3) Enter the typed, stamped, or printed name, title, mailing address, and commercial telephone number.

(B) When alternative release procedures apply—

(i) The contractor or subcontractor shall complete the entries required under paragraph (A) and enter in capital letters “ALTERNATIVE RELEASE PROCEDURE” on the next line following the printed CQA/acceptance statement.

(ii) When acceptance is at origin and contract administration is performed by an office other than the Defense Contract Management Agency, the contractor shall furnish the four payment office copies of the MIRR to the authorized Government representative for dating and signing of one copy and forwarding of all copies to the payment office.

(iii) When acceptance is at origin and contract administration is performed by the Defense Contract Management Agency, furnish the contract administration office copy of the MIRR to the authorized Government representative for dating and signing and forwarding to the contract administration office (see F–501, Table 1).

(C) When fast pay procedures apply, the contractor or subcontractor shall enter in capital letters “FAST PAY” on the next line following the printed CQA/acceptance statement. When CQA is required, the authorized Government representative shall execute the block as required by paragraph (A).

(D) When Certificate of Conformance procedures apply, inspection or inspection and acceptance are at source, and the contractor’s Certificate of Conformance is required, the contractor shall enter in capital letters “CERTIFICATE OF CONFORMANCE” as required by paragraph (b)(21)(iii) of this appendix.

(1) For contracts administered by an office other than the Defense Contract Management Agency, furnish the four payment office copies of the MIRR to the authorized Government representative for dating and signing and forwarding of all copies to the payment office.

(2) For contracts administered by the Defense Contract Management Agency, furnish the contract administration office copy of the MIRR to the authorized Government representative for dating and signing and forwarding to the contract administration office (see F–401, Table 1).

(3) When acceptance is at destination, no entry shall be made other than “CERTIFICATE OF CONFORMANCE.”

(v) Destination.

(A) When acceptance at origin is indicated in Block 21a, make no entries in Block 21b.

(B) When CQA and acceptance or acceptance is at destination, the authorized Government representative must—

(1) Place an “X” in the appropriate box(es);
(2) Sign and date; and
(3) Enter typed, stamped, or printed name, title, mailing address, and commercial telephone number.

(C) When “ALTERNATIVE RELEASE PROCEDURE” is entered in Block 21a and acceptance is at destination, the authorized Government representative must complete the entries required by paragraph (b)(21)(v)(B) of this appendix.

(D) Forward the executed payment copy or MILSACP format identifier PKN or PKP to the payment office cited in Block 12 within four work days (five days when MILSACP Format is used) after delivery and acceptance of the shipment by the receiving activity. Forward one executed copy of the final DD Form 250 to the contract administration office cited in Block 10 for implementing contract closeout procedures.

(E) When “FAST PAY” is entered in Block 21a, make no entries in this block.

(22) Block 22—Receiver’s use. The authorized representative of the receiving activity (Government or contractor) must use this block to show receipt, quantity, and condition. The authorized representative must—
(i) Enter the date the supplies arrived. For example, when off-loading or in-checking occurs subsequent to the day of arrival of the carrier at the installation, the date of the carrier’s arrival is the date received for purposes of this block;
(ii) Sign; and
(iii) Enter typed, stamped, or printed name, title, mailing address, and commercial telephone number.

(23) Block 23—Contractor use only. Self-explanatory.

See paragraph F–302.

F–403 Consolidated shipments.
When individual shipments are held at the contractor’s plant for authorized transportation consolidation to a single bill of lading, the contractor may prepare the DD Forms 250 at the time of CQA or acceptance prior to the time of actual shipment (see Block 3).

F–404 Multiple consignee instructions.
The contractor may prepare one MIRR when the identical line item(s) of a contract are to be shipped to more than one consignee, with the same or varying quantities, and the shipment requires origin acceptance. Prepare the MIRR using the procedures in this appendix with the following changes:
(a) Blocks 2, 4, 13, and, if applicable, 14—Enter “See Attached Distribution List.”
(b) Block 15—The contractor may group item numbers for identical stock/part number and description.
(c) Block 17—Enter the “total” quantity shipped by line item or, if applicable, grouped identical line items.
(d) Use the DD Form 250c to list each individual “Shipped To” and “Marked For” with—
(1) Code(s) and complete shipping address and a sequential shipment number for each;
(2) Line item number(s);
(3) Quantity;
(4) MIPR number(s), preceded by “MIPR,” or the MILSTRIP requisition number, and quantity for each when provided in the contract or shipping instructions; and
(5) If applicable, bill of lading number, TCN, and mode of shipment code.
(e) The contractor may omit those distribution list pages of the DD Form 250c that are not applicable to the consignee. Provide a complete MIRR for all other distribution.

F–405 Correction instructions.
Make a new revised MIRR or correct the original when, because of errors or omissions, it is necessary to correct the MIRR after distribution has been made. Use data identical to that of the original MIRR. Do not correct MIRRs for Blocks 19 and 20 entries. Make the corrections as follows—
(a) Circle the error and place the corrected information in the same block; if space is limited, enter the corrected information in Block 16 referencing the error page and block. Enter omissions in Block 16 referencing omission page and block. For example—

2. SHIPMENT NO. 17. QUANTITY SHIP/REC'D
(AAA0001) 19 See Block 16 (17)

(b) When corrections have been made to entries for line items (Block 15) or quantity (Block 17), enter the words “CORRECTIONS HAVE BEEN VERIFIED” on page 1. The authorized Government representative will date and sign immediately below the statement. This verification statement and signature are not required for other corrections.
(c) Clearly mark the pages of the MIRR requiring correction with the words “CORRECTED COPY.” Avoid obliterating any other entries. Where corrections are made only on continuation sheets, also mark page number 1 with the words “CORRECTED COPY.”
Defense Acquisition Regulations System, DOD  Ch. 2, App. F

(d) Page 1 and only those continuation pages marked “CORRECTED COPY” shall be distributed to the initial distribution. A complete MIRR with corrections shall be distributed to new addressee(s) created by error corrections.

F–406 Invoice instructions.

(a) Contractors shall submit payment requests and receiving reports in electronic form, unless an exception in DFARS 232.7002 applies. Contractor submission of the material inspection and receiving information required by this appendix by using the WAWF electronic form (see paragraph (b) of the clause at DFARS 232.232-7000) fulfills the requirement for an MIRR.

(b) If the contracting officer authorizes the contractor to submit an invoice in paper form, the Government encourages, but does not require, the contractor to use the MIRR as an invoice, in lieu of a commercial form. If commercial forms are used, identify the related MIRR shipment number(s) on the form. If using the MIRR as an invoice, prepare the MIRR and forward the required number of copies to the payment office as follows:

(1) Complete Blocks 5, 6, 19, and 20. Block 6 shall contain the invoice number and date. Column 20 shall be totaled.

(2) Mark in letters approximately one inch high, first copy: “ORIGINAL INVOICE,” for all invoice submissions; and three copies: “INVOICE COPY,” when the payment office requires four copies. Questions regarding the appropriate number of copies (i.e., one or four) should be directed to the applicable payment office.

(3) Forward the appropriate number of copies to the payment office (Block 12 address), except when acceptance is at destination and a Navy finance office will make payment, forward to destination.

(4) Separate the copies of the MIRR used as an invoice from the copies of the MIRR used as a receiving report.

F–407 Packing list instructions.

Contractors may use copies of the MIRR as a packing list. The packing list copies are in addition to the copies of the MIRR required for standard distribution (see F–501). Mark them “PACKING LIST.”

F–408 Receiving instructions.

When the MIRR is used for receiving purposes, local directives shall prescribe procedures. If CQA and acceptance or acceptance of supplies is required upon arrival at destination, see F–401(b)(v) for instructions.

PART 5—Distribution of Wide Area Workflow Receiving Report (WAWF RR), DD Form 250 and DD Form 250C

F–501 Distribution of WAWF RR.

Use of the WAWF electronic form satisfies the distribution requirements of this section, except for the copies required to accompany shipment.

F–502 Distribution of DD FORM 250 AND DD FORM 250C.

(a) The contractor is responsible for distributing the DD Form 250, Material Inspection and Receiving Report (MIRR) including mailing and payment of postage.

(b) Contractors shall distribute MIRRs using the instructions in Tables 1 and 2.

(c) Contractors shall distribute MIRRs on non-DoD contracts using this appendix as amended by the contract.

(d) Contractors shall make distribution promptly, but no later than the close of business of the work day following—

(1) Signing the DD Form 250 (Block 21a) by the authorized Government representative; or

(2) Shipment when authorized under terms of alternative release, certificate of conformance, or fast pay procedures; or

(3) Shipment when CQA and acceptance are to be performed at destination.

(e) Do not send the consignee copies (via mail) on overseas shipments to port of embarkation (POE). Send them to consignee at APO/FPO address.

(f) Copies of the MIRR forwarded to a location for more than one recipient shall clearly identify each recipient.

Material Inspection And Receiving Report

<table>
<thead>
<tr>
<th>TABLE 1—STANDARD DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>With Shipment* .................................................................</td>
</tr>
<tr>
<td>Consignee (via mail) ..................................................................</td>
</tr>
<tr>
<td>(For Navy procurement, include unit price)</td>
</tr>
<tr>
<td>(For foreign military sales, consignee copies are not required)</td>
</tr>
<tr>
<td>Contract Administration Office (CAO) ........................................</td>
</tr>
<tr>
<td>(Forward direct to address in Block 10 except when addressee is a Defense Contract Management Agency (DCMA) office and a certificate of conformance or the alternative release procedures (see F–301, Block 21) is involved, and acceptance is at origin; then, forward through the authorized Government representative.)</td>
</tr>
</tbody>
</table>

573
Ch. 2, App. F  48 CFR Ch. 2 (10–1–11 Edition)

**TABLE 1—STANDARD DISTRIBUTION—Continued**

<table>
<thead>
<tr>
<th><strong>Purchasing Office</strong></th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payment Office</strong> <strong>(Forward direct to address in Block 12 except—)</strong></td>
<td>2</td>
</tr>
<tr>
<td>(i) When address in Block 10 is a DMA office and payment office in Block 12 is the Defense Finance and Accounting Service, Columbus Center, do not make distribution to the Block 12 addressee;</td>
<td></td>
</tr>
<tr>
<td>(ii) When address in Block 12 is the Defense Finance and Accounting Service, Columbus Center/Albuquerque Office (DFAS–CO/ALQ), Kirtland AFB, NM, attach only one copy to the required number of copies of the contractor's invoice;</td>
<td></td>
</tr>
<tr>
<td>(iii) When acceptance is at destination and a Navy finance office will make payment, forward to destination; and</td>
<td></td>
</tr>
<tr>
<td>(iv) When a certificate of conformance or the alternative release procedures (see F–301, Block 21) are involved and acceptance is at origin, forward the copies through the authorized Government representative.</td>
<td></td>
</tr>
<tr>
<td><strong>ADP Point for CAO (applicable to Air Force only)</strong></td>
<td>1</td>
</tr>
<tr>
<td>(When DFAS–CO/ALQ is the payment office in Block 12, send one copy to DFAS–CO/ALQ immediately after signature. If submission of delivery data is made electronically, distribution of this hard copy need not be made to DFAS–CO/ALQ.)</td>
<td></td>
</tr>
<tr>
<td><strong>CAO of Contractor Receiving GFP</strong></td>
<td>1</td>
</tr>
<tr>
<td>(For items fabricated or acquired for the Government and shipped to a contractor as Government furnished property, send one copy directly to the CAO cognizant of the receiving contractor, ATTN: Property Administrator (see DoD 4105.59–H).)</td>
<td></td>
</tr>
<tr>
<td>*** Attach as follows:**</td>
<td></td>
</tr>
<tr>
<td>**** Payment by Defense Finance and Accounting Service, Columbus Center will be based on the source acceptance copies of DD Forms 250 forwarded to the contract administration office.</td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 2—SPECIAL DISTRIBUTION**

<table>
<thead>
<tr>
<th><strong>Type of shipment</strong></th>
<th><strong>Location</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carload or truckload</td>
<td>Affix to the shipment where it will be readily visible and available upon receipt.</td>
</tr>
<tr>
<td>Less than carload or truckload</td>
<td>Affix to container number one or container truckload bearing lowest number.</td>
</tr>
<tr>
<td>Mail, including parcel post</td>
<td>Attach to outside or include in the package. Include a copy in each additional package of multi-package shipments.</td>
</tr>
<tr>
<td>Pipeline, tank car, or railroad cars for coal movements</td>
<td>Forward with consignee copies.</td>
</tr>
</tbody>
</table>

**MATERIAL INSPECTION AND RECEIVING REPORT**

<table>
<thead>
<tr>
<th><strong>As required</strong></th>
<th><strong>Address</strong></th>
<th><strong>Number of copies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Each: Navy Status Control Activity, Army, Air Force, OLA Inventory Control Manager.</td>
<td>Address specified in contract</td>
<td>*1</td>
</tr>
<tr>
<td>Quality Assurance Representative</td>
<td>Address specified by the assigned quality assurance representative.</td>
<td>1</td>
</tr>
<tr>
<td>Transportation Office issuing GBL (attach to GBL memorandum copy).</td>
<td>CAO address unless otherwise specified in the contract.</td>
<td>1</td>
</tr>
<tr>
<td>Purchasing Office other than office issuing contract</td>
<td>Address specified in the contract</td>
<td>1</td>
</tr>
<tr>
<td>Foreign Military Sales Representative</td>
<td>Address specified in the contract</td>
<td>8</td>
</tr>
<tr>
<td>Military Assistance Advisory Group (Grant Aid shipments).</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Army Foreign Military Sales</td>
<td>Commander, U.S. Army Security Assistance Command, ATTN: AMISAC–OL, 54 &quot;M&quot; Avenue, Suite 1, New Cumberland, PA 17070–5096.</td>
<td>1</td>
</tr>
<tr>
<td>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.</td>
<td>HQ Air Force Materiel Command, LGX–AVDO, Area A, Building 262, Room N142, 4375 Chidlaw Road, Wright-Patterson AFB, OH 45433–5096.</td>
<td>1</td>
</tr>
</tbody>
</table>
### Defense Acquisition Regulations System, DOD Ch. 2, App. F

#### MATERIAL INSPECTION AND RECEIVING REPORT TABLE 2—SPECIAL DISTRIBUTION—Continued

<table>
<thead>
<tr>
<th>As required</th>
<th>Address</th>
<th>Number of copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>When above items are delivered to aircraft modification centers.</td>
<td>DCMA .................................................................</td>
<td>1</td>
</tr>
<tr>
<td>Foreign Military Sales/Military Assistance Program (Grant Aid) shipments to Canada.</td>
<td>National Defence Headquarters, Ottawa, Ontario Canada, K1A 0K4 ATTN: DPSUPS3.</td>
<td>1</td>
</tr>
<tr>
<td>Other than Canada</td>
<td>Consignee address (Block 13), ATTN: Property Officer.</td>
<td>1</td>
</tr>
<tr>
<td>When consignee is an Air National Guard Activity</td>
<td>Naval Inventory Control Point Deputy Commander for International Programs (NAVCP Code P761), 700 Robbins Avenue, Philadelphia, PA 19111–5095.</td>
<td>2</td>
</tr>
<tr>
<td>Navy Foreign Military Sales</td>
<td>Naval Inventory Control Point Control Center (Code 0142) for aviation type material, 700 Robbins Avenue, Philadelphia, PA 19111–5098 and. Naval Inventory Control Point (Code 0143) for all other material 5450 Carlisle Pike, PO Box 2020, Mechanicsburg, PA 17055–0788.</td>
<td>2</td>
</tr>
<tr>
<td>Bulk Petroleum Shipments</td>
<td>Cognizant Defense Fuel Region (see Table 4)</td>
<td>1</td>
</tr>
</tbody>
</table>

*Each addressee.

---

### Part 6—Preparation of the DD Form 250-1 (Loading Report)

**F–601 Instructions.**

Prepare the DD Form 250-1 using the following instructions when applied to a tanker or barge cargo lifting. If space is limited, use abbreviations. The block numbers correspond to those on the form.

(a) Block 1—Tanker/barge. Line out "TANKER" or "BARGE" as appropriate and place an "X" to indicate loading report.

(b) Block 2—Inspection office. Enter the name and location of the Government office conducting the inspection.

(c) Block 3—Report No. Number each form consecutively, starting with number 1, to correspond to the number of shipments made against the contract. If shipment is made from more than one location against the same contract, use this numbering system at each location.

(d) Block 4—Agency placing order on supplier, city, state and/or local address (loading). Enter the applicable Government activity.

(e) Block 5—Department. Enter military department owning product being shipped.

(f) Block 6—Prime contract or P.O. No. Enter the contract or purchase order number.

(g) Block 7—Name of prime contractor, city, state and/or local address (loading). Enter the name and address of the contractor as shown in the contract.

(h) Block 8—Storage contract. Enter storage contract number if applicable.

(i) Block 9—Terminal or refinery shipped from, city, state and/or local address. Enter the name and location of the contractor facility from which shipment is made. Also enter delivery point in this space as either "FOB Origin" or "FOB Destination."

(j) Block 10—Order No. on supplier. Enter number of the delivery order, purchase order, subcontract or suborder placed on the supplier.

(k) Block 11—Shipped to: (receiving activity, city, state and/or local address). Enter the name and geographical address of the consignee as shown on the shipping order.

(l) Block 12—B/L number. If applicable, enter the initials and number of the bill of lading. If a commercial bill of lading is later authorized to be converted to a Government bill of lading, show "Com. B/L to GB/L."

(m) Block 13—Reqn. or request No. Enter number and date from the shipping instructions.

(n) Block 14—Cargo No. Enter the cargo number furnished by the ordering office.

(o) Block 15—Vessel. Enter the name of tanker or barge.

(p) Block 16—Draft arrival. Enter the vessel's draft on arrival.

(q) Block 17—Draft sailed. Enter the vessel’s draft on completion of loading.

(r) Block 18—Previous two cargoes. Enter the type of product constituting previous two cargoes.

(s) Block 19—Prior inspection. Leave blank.

(t) Block 20—Condition of shore pipeline. Enter condition of line (full or empty) before and after loading.

(u) Block 21—Appropriation (loading). Enter 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."

(v) Block 22—Contract item no. Enter the contract item number applicable to the shipment.
Ch. 2, App. F

(w) 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.

(x) Block 24—Specifications. Enter the specification and amendment number shown in the contract.

(y) 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 percent difference exists between the ship and shore quantity figures, the contractor shall immediately investigate to determine the cause of the difference. If necessary, prepare corrected documents; otherwise, put a statement in Block 28 as to the probable or actual cause of the difference.

(z) Block 26—Statement of quality.

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

(2) 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. List waivers to technical requirements.

(3) 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.

(aa) Block 27—Time statement. Line out “DISCHARGED” and “DISCHARGING.” Complete all applicable entries of the time statement using local time. Take these dates and times from either the vessel or shore facility log. The Government representative shall ensure 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. Do not enter the date and time the vessel left berth on documents placed aboard the vessel. The date and time shall appear on all other copies. Express all dates in sequence of day, month, and year with the month spelled out or abbreviated (e.g., 10 Sept. 67). The term “FINISHED BAL- LAST 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.

(bb) Block 28—Remarks. Use this space for reporting:

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

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

3. 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.

4. 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.”

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

(cc) Block 29—Company or receiving terminal. Line out “OR RECEIVING TERMINAL” and get the signature of the supplier’s representative.

(dd) Block 30—Certification by government representative. Line out “discharged.” The Government representative shall date and sign 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. The signature in Block 30 must agree with the typed or lettered name to be acceptable to the paying office.

(ee) Block 31—Certification by master or agent. Obtain the signature of the master of the vessel or its agent.

Part 7—Preparation of the DD Form 250–1 (Discharge Report)

F-701 Instructions.

Prepare the DD Form 250–1 using the following instructions when applied to a tanker or barge discharge. If space is limited, use abbreviations. The block numbers correspond to those on the form.

(a) Block 1—Tanker/barge. Line out “TANKER” or “BARGE” as applicable and place an “X” to enter discharge report.

(b) Block 2—Inspection office. Enter Government activity performing inspection on the cargo received.

(c) Block 3—Report No. Leave blank.

(d) Block 4—Agency placing order on shipper, city, state and/or local address (loading). Enter Government agency shown on loading report.

(e) Block 5—Department. Enter Department owning product being received.

(f) Block 6—Prime contract or P.O. No. Enter the contract or purchase order number shown on the loading report.

576
Defense Acquisition Regulations System, DOD

(g) Block 7—Name of prime contractor, city, state and/or local address (loading). Enter the name and location of contractor who loaded the cargo.

(h) Block 8—Storage contract. Enter the number of the contract under which material is placed in commercial storage where applicable.

(i) Block 9—Terminal or refinery shipped from, city and/or local address. Enter source of cargo.

(j) Block 10—Order No. on supplier. Make same entry appearing on loading report.

(k) Block 11—Shipped to: (RECEIVING ACTIVITY, CITY, STATE AND/OR LOCAL ADDRESS). Enter receiving activity’s name and location.

(l) Block 12—B/L number. Enter as appears on loading report.

(m) Block 13—Resp. or request No. Leave blank.

(n) Block 14—Cargo No. Enter cargo number shown on loading report.

(o) Block 15—Vessel. Enter name of tanker or barge discharging cargo.

(p) Block 16—Draft arrival. Enter draft of vessel upon arrival at dock.

(q) Block 17—Draft sailing. Enter draft of vessel after discharging.

(r) Block 18—Previous two cargoes. Leave blank.

(s) Block 19—Prior inspection. Enter the name and location of the Government office which inspected the cargo loading.

(t) Block 20—Condition of shore pipeline. Enter condition of line (full or empty) before and after discharging.

(u) Block 21—Appropriation (loading). Leave blank.

(v) Block 22—Contract item No. Enter the item number shown on the loading report.

(w) Block 23—Product. Enter information appearing in Block 23 of the loading report.

(x) Block 24—Specifications. Enter information appearing in Block 24 of the loading report.

(y) Block 25—Statement of quantity. Enter applicable data in proper columns.

(1) Take "LOADED" figures from the loading report.

(2) Determine quantities discharged from shore tank gauges at destination.

(3) If a grade of product is discharged at more than one point, calculate the loss or gain for that product by the final discharge point.

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

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

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

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

(aa) Block 27—Time statement. Line out "LOAD" and "LOADING." Complete all applicable entries of the time statement using local time. Take the dates and times from either the vessel or shore facility log. The Government representative shall ensure 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. Do not enter the date and time the vessel left berth on documents placed aboard the vessel. The date and time shall appear on all other copies. Express all dates in sequence of day, month, and year with the month spelled out or abbreviated (e.g., 10 Sept. 67).

(bb) Block 28—Remarks. Use this space for reporting important facts such as:

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

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

(cc) Block 29—Company or receiving terminal. Line out "COMPANY OR." Secure the signature of a representative of the receiving terminal.

(dd) Block 30—Certification by government representative. Line out "loaded." The Government representative shall date and sign 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.
APPENDIX H TO CHAPTER 2—DEBARMENT AND SUSPENSION PROCEDURES

Sec.
H–100 Scope.
H–101 Notification.
H–102 Nature of proceeding.
H–103 Presentation of matters in opposition.
H–104 Fact-finding.
H–105 Timing requirements.
H–106 Subsequent to fact-finding.


H–100 Scope.

This appendix provides uniform debarment and suspension procedures to be followed by all debarring and suspending officials.

H–101 Notification.

Contractors will be notified of the proposed debarment or suspension in accordance with FAR 9.406–3 or 9.407–3. A copy of the record which formed the basis for the decision by the debarring and suspending official will be made available to the contractor. If there is a reason to withhold from the contractor any portion of the record, the contractor will be informed of what is withheld and the reasons for such withholding.

H–102 Nature of proceeding.

There are two distinct proceedings which may be involved in the suspension or debarment process. The first is the presentation of matters in opposition to the suspension or proposed debarment by the contractor.

The second is fact-finding which occurs only in cases in which the contractor’s presentation of matters in opposition raises a genuine dispute over one or more material facts. In a suspension action based upon an indictment or in a proposed debarment action based upon a conviction or civil judgment, there will be no fact-filling proceeding concerning the matters alleged in the indictment, or the facts underlying the convictions or civil judgment. However, to the extent that the proposed action stems from the contractor’s affiliation with an individual or firm indicted or convicted, or the subject of a civil judgment, fact-finding is permitted if a genuine dispute of fact is raised as to the question of affiliation as defined in FAR 9.403.

H–103 Presentation of matters in opposition.

(a) In accordance with FAR 9.406–3(c) and 9.407–3(c), matters in opposition may be presented in person, in writing, or through a representative. Matters in opposition may be presented through any combination of the foregoing methods, but if a contractor desires to present matters in person or through a representative, any written material should be delivered at least 5 working days in advance of the presentation. Usually, all matters in opposition are presented in a single proceeding. A contractor who becomes aware of a pending indictment or allegations of wrongdoing that the contractor believes may lead to suspension or debarment action may contact the debarring and suspending official or designee to provide information as to the contractor’s present responsibility.

(b) An in-person presentation is an informal meeting, nonadversarial in nature. The debarring and suspending official and/or other agency representatives may ask questions of the contractor or its representative making the presentation. The contractor may select the individuals who will attend the meeting on the contractor’s behalf; individual respondents or principals of a business firm respondent may attend and speak for themselves.

(c) In accordance with FAR 9.406–3(c) and 9.407–3(c), the contractor may submit matters in opposition within 30 days from receipt of the notice of suspension or proposed debarment.

(d) The opportunity to present matters in opposition to debarment includes the opportunity to present matters concerning the duration of the debarment.

H–104 Fact-finding.

(a) The debarring and suspending official will determine whether the contractor’s presentation has raised a genuine dispute of material fact(s). If the debarring and suspending official has decided against debarment or continued suspension, or the provisions of FAR 9.4 preclude fact-finding, no fact-finding will be conducted. If the debarring and suspending official has determined a genuine dispute of material fact(s) exists, a designated fact-finder will conduct the fact-finding proceeding. The proceeding before the fact-finder will be limited to a finding of the facts in dispute as determined by the debarring and suspending official.

(b) The designated fact-finder will establish the date for a fact-finding proceeding,
normally to be held within 45 working days of the contractor’s presentation of matters in opposition. An official record will be made of the fact-finding proceeding.

(c) The Government’s representative and the contractor will have an opportunity to present evidence relevant to the facts at issues. The contractor may appear in person or through a representative in the fact-finding proceeding.

(d) Neither the Federal Rules of Evidence nor the Federal Rules of Civil Procedure govern fact-finding. Hearsay evidence may be presented and will be given appropriate weight by the fact-finder.

(e) Witnesses may testify in person. Witnesses will be reminded of the official nature of the proceeding and that any false testimony given is subject to criminal prosecution. Witnesses are subject to cross-examination.

H–105 Timing requirements.

All timing requirements set forth in these procedures may be extended by the debarring and suspending official for good cause.

H–106 Subsequent to fact-finding.

(a) Written findings of fact will be prepared by the fact-finder as mandated by FAR 9.406–3(d)(2)(i) and 9.407–3(d)(2)(i).

(b) The fact-finder will determine the disputed fact(s) by a preponderance of the evidence. A copy of the findings of fact will be provided to the debarring and suspending official, the Government’s representative, and the contractor.

(c) The debarring and suspending official will determine whether to continue the suspension or to debar the contractor based upon the entire administrative record, including the findings of fact.

(d) Prompt written notice of the debarring or suspending official’s decision will be sent to the contractor and any affiliates involved, in compliance with FAR 9.406–3(e) and 9.407–3(d)(4).

[59 FR 27700, May 27, 1994]

APPENDIX I TO CHAPTER 2—POLICY AND PROCEDURES FOR THE DOD PILOT MENTOR–PROTEGE PROGRAM

I–100 Purpose.

(a) This Appendix I to 48 CFR Chapter 2 implements the Pilot Mentor-Protege Program (hereafter referred to as the “Program”) established under Section 831 of Public Law 101–510, the National Defense Authorization Act for Fiscal Year 1991 (10 U.S.C. 2302 note). The purpose of the Program is to—

(1) Provide incentives to major DoD contractors, performing under at least one active approved subcontracting plan negotiated with DoD or another Federal agency, to assist protege firms in enhancing their capabilities to satisfy DoD and other contract and subcontract requirements;

(2) Increase the overall participation of protege firms as subcontractors and suppliers under DoD contracts, other Federal agency contracts, and commercial contracts; and

(3) Foster the establishment of long-term business relationships between protege firms and such contractors.

(b) Under the Program, eligible companies approved as mentor firms will enter into mentor-protege agreements with eligible protege firms to provide appropriate developmental assistance to enhance the capabilities of the protege firms to perform as subcontractors and suppliers. DoD may provide the mentor firm with either cost reimbursement or credit against applicable subcontracting goals established under contracts with DoD or other Federal agencies.

(c) DoD will measure the overall success of the Program by the extent to which the Program results in—

(1) An increase in the dollar value of contract and subcontract awards to protege firms (under DoD contracts, contracts awarded by other Federal agencies, and commercial contracts) from the date of their entry into the Program until 2 years after the conclusion of the agreement;

(2) An increase in the number and dollar value of subcontracts awarded to a protege firm (or former protege firm) by its mentor firm (or former mentor firm);

(3) An increase in the employment level of protege firms from the date of entry into the Program until 2 years after the completion of the agreement.

(d) This policy sets forth the procedures for participation in the Program applicable to companies that are interested in receiving—

(1) Reimbursement through a separate contract line item in a DoD contract or a separate contract with DoD; or

(2) Credit toward applicable subcontracting goals for costs incurred under the Program.

I–101 Definitions.

I–101.1 Historically Black college or university.

An institution determined by the Secretary of Education to meet the requirements of 34 CFR 608.2. The term also means any nonprofit research institution that was an integral part of such a college or university before November 14, 1986.

I–101.2 Minority institution of higher education.

An institution of higher education with a student body that reflects the composition specified in section 312(b)(3), (4), and (5) of the Higher Education Act of 1965 (20 U.S.C. 1008(b)(3), (4), and (5)).
I–101.3 Eligible entity employing the severely disabled.

A business entity operated on a for-profit or nonprofit basis that—
(a) Uses rehabilitative engineering to provide employment opportunities for severely disabled individuals and integrates severely disabled individuals into its workforce;
(b) Employs severely disabled individuals at a rate that averages not less than 20 percent of its total workforce;
(c) Employs each severely disabled individual in its workforce generally on the basis of 40 hours per week; and
(d) Pays not less than the minimum wage prescribed pursuant to section 6 of the Fair Labor Standards Act (29 U.S.C. 206) to those employees who are severely disabled individuals.

I–101.4 Severely disabled individual.

An individual who has a physical or mental disability which constitutes a substantial handicap to employment and which, in accordance with criteria prescribed by the Committee for the Purchase from the Blind and Other Severely Handicapped established by the first section of the Act of June 25, 1938 (41 U.S.C. 8502; popularly known as the “Javits-Wagner-O’Day Act”) is of such a nature that the individual is otherwise prevented from engaging in normal competitive employment.

I–101.5 Small disadvantaged business (SDB).

A small business concern that is—
(a) An SDB concern as defined at 219.001, paragraph (1) of the definition of “small disadvantaged business concern”;
(b) A business entity owned and controlled by an Indian tribe as defined in Section 8(a)(13) of the Small Business Act (15 U.S.C. 637(a)(13)); or
(c) A business entity owned and controlled by a Native Hawaiian Organization as defined in Section 8(a)(15) of the Small Business Act.

I–101.6 Women-owned small business.

A small business concern owned and controlled by women as defined in Section 8(d)(3)(D) of the Small Business Act (15 U.S.C. 637(d)(3)(D)).

I–101.7 HUBZone small business.

A qualified HUBZone small business concern as determined by the Small Business Administration in accordance with 13 CFR part 126.

I–101.8 Service-disabled veteran-owned small business.

A small business concern owned and controlled by service-disabled veterans as defined in Section 8(d)(3) of the Small Business Act (15 U.S.C. 637(d)(3)).
Defense Acquisition Regulations System, DOD

Ch. 2, App. I

I–103 Program duration.

(a) New mentor-protege agreements may be submitted and approved through September 30, 2010.

(b) Mentors incurring costs prior to September 30, 2013, pursuant to an approved mentor-protege agreement may be eligible for reimbursement pursuant to the execution of a separately priced contract line item added to a DoD contract; or

(c) Reimbursement pursuant to entering into a separate DoD contract upon determination by the cognizant Component Director, SBP, that unusual circumstances justify using a separate contract.

I–104 Selection of protege firms.

(a) Mentor firms will be solely responsible for selecting protege firms. Mentor firms are encouraged to identify and select concerns that are defined as emerging SDB, women-owned small business, HUBZone small business, service-disabled veteran-owned small business, or an eligible entity employing the severely disabled.

(b) The selection of protege firms by mentor firms may not be protested, except as in paragraph (c) of this section.

(c) In the event of a protest regarding the size or disadvantaged status of an entity selected to be a protege firm as defined in I–101.5, the mentor firm must refer the protest to the SBA to resolve in accordance with 13 CFR part 121 (with respect to size) or 13 CFR part 124 (with respect to disadvantaged status).

(d) For purposes of the Small Business Act, no determination of affiliation or control (either direct or indirect) may be found between a protege firm and its mentor firm on the basis that the mentor firm has agreed to furnish (or has furnished) to its protege firm, pursuant to a mentor-protege agreement, any form of developmental assistance described in I–107(f).

(e) A protege firm may have only one active DoD mentor-protege agreement.

I–105 Mentor approval process.

(a) An entity seeking to participate as a mentor must apply to the cognizant Component Director, SBP, to establish its initial eligibility as a mentor. This application may accompany its initial mentor-protege agreement.

(b) The application must provide the following information:

(1) A statement that the company is currently performing under at least one active approved subcontracting plan negotiated with DoD or another Federal agency pursuant to FAR 19.702, and that the company is currently eligible for the award of Federal contracts or a statement that the entity is a graduated 8(a) firm.

(2) A summary of the company’s historical and recent activities and accomplishments under its small and disadvantaged business utilization program.

(3) The total dollar amount of DoD contracts and subcontracts that the company received during the 2 preceding fiscal years. (Show prime contracts and subcontracts separately per year.)

(4) The total dollar amount of all other Federal agency contracts and subcontracts that the company received during the 2 preceding fiscal years. (Show prime contracts and subcontracts separately per year.)

(5) The total dollar amount of subcontracts that the company awarded under DoD contracts during the 2 preceding fiscal years.

(6) The total dollar amount of subcontracts that the company awarded under all other Federal agency contracts during the 2 preceding fiscal years.

(7) The total dollar amount and percentage of subcontracts that the company awarded to all SDB, women-owned small business, HUBZone small business, and service-disabled veteran-owned small business firms under DoD contracts and other Federal agency contracts during the 2 preceding fiscal years. (Show DoD subcontract awards separately.) If the company presently is required to submit a Summary Subcontract Report (SSR) or previously submitted the Standard Form (SF) 295, the request must include copies of the final reports for the 2 preceding fiscal years.

(8) Information on the company’s ability to provide developmental assistance to eligible proteges.

(c) A template of the mentor application is available at: http://www.acq.osd.mil/osbp/mentor_protege/.

(d) Companies that apply for participation and are not approved will be provided the reasons and an opportunity to submit additional information for reconsideration.

I–106 Development of mentor-protege agreements.

(a) Prospective mentors and their proteges may choose to execute letters of intent prior to negotiation of mentor-protege agreements.

(b) The agreements should be structured after completion of a preliminary assessment of the developmental needs of the protege firm and mutual agreement regarding the developmental assistance to be provided to address those needs and enhance the
protege’s ability to perform successfully under contracts or subcontracts.

(c) A mentor firm may not require a protege firm to enter into a mentor-protege agreement as a condition for award of a contract by the mentor firm, including a subcontract under a DoD contract awarded to the mentor firm.

(d) The mentor-protege agreement may provide for the mentor firm to furnish any or all of the following types of developmental assistance:

(1) Assistance by mentor firm personnel in—
   (i) General business management, including organizational management, financial management, and personnel management, marketing, business development, and overall business planning;
   (ii) Engineering and technical matters such as production inventory control and quality assurance; and
   (iii) Any other assistance designed to develop the capabilities of the protege firm under the developmental program.

(2) Award of subcontracts under DoD contracts or other contracts on a noncompetitive basis.

(3) Payment of progress payments for the performance of subcontracts by a protege firm in amounts as provided for in the subcontract but in no event may such progress payment exceed 100 percent of the costs incurred by the protege firm for the performance of the subcontract. Provision of progress payments by a mentor firm to a protege firm at a rate other than the customary rate for the firm must be implemented in accordance with FAR 32.504(c).

(4) Advance payments under such subcontracts. The mentor firm must administer advance payments in accordance with FAR Subpart 32.4.

(5) Loans.

(6) Investment(s) in the protege firm in exchange for an ownership interest in the protege firm, not to exceed 10 percent of the total ownership interest. Investments may include, but are not limited to, cash, stock, and contributions in kind.

(7) Assistance that the mentor firm obtains for the protege firm from one or more of the following:
   (ii) Entities providing procurement technical assistance pursuant to 10 U.S.C. Chapter 122 (Procurement Technical Assistance Centers).
   (iii) Historically Black colleges and universities.
   (iv) Minority institutions of higher education.

(e) Pursuant to FAR 31.109, approved mentor firms seeking either reimbursement or credit are strongly encouraged to enter into an advance agreement with the contracting officer responsible for determining final indirect cost rates under FAR 42.705. The purpose of the advance agreement is to establish the accounting treatment of the costs of the developmental assistance pursuant to the mentor-protege agreement prior to the incurring of any costs by the mentor firm. An advance agreement is an attempt by both the Government and the mentor firm to avoid possible subsequent dispute based on questions related to reasonableness, allocability, or allowability of the costs of developmental assistance under the Program. Absent an advance agreement, mentor firms are advised to establish the accounting treatment of such costs and to address the need for any changes to their cost accounting practices that may result from the implementation of a mentor-protege agreement, prior to incurring any costs, and irrespective of whether costs will be reimbursed or credited.

(f) Developmental assistance provided under an approved mentor-protege agreement is distinct from, and must not duplicate, any effort that is the normal and expected product of the award and administration of the mentor firm’s subcontracts. Costs associated with the latter must be accumulated and charged in accordance with the contractor’s approved accounting practices; they are not considered developmental assistance costs eligible for either credit or reimbursement under the Program.

I–107 Elements of a mentor-protege agreement.

Each mentor-protege agreement will contain the following elements:

(a) The name, address, e-mail address, and telephone number of the mentor and protege points of contact;

(b) The NAICS code(s) that represent the contemplated supplies or services to be provided by the protege firm to the mentor firm and a statement that, at the time the agreement is submitted for approval, the protege firm, if an SDB, a women-owned small business, a HUBZone small business, or a service-disabled veteran-owned small business concern, does not exceed the size standard for the appropriate NAICS code;

(c) A statement that the protege firm is eligible to participate in accordance with I–102(b);

(d) A statement that the mentor is eligible to participate in accordance with I–102;

(e) A preliminary assessment of the developmental needs of the protege firm;

(f) A developmental program for the protege firm specifying the type of assistance the mentor will provide to the protege and how that assistance will—

(1) Increase the protege’s ability to participate in DoD, Federal, and/or commercial contracts and subcontracts; and

582
Defense Acquisition Regulations System, DOD

(2) Increase small business subcontracting opportunities in industry categories where eligible protégés or other small business firms are not dominant in the company’s vendor base;

(g) Factors to assess the protégé firm’s developmental progress under the Program, including specific milestones for providing each element of the identified assistance;

(h) An estimate of the dollar value and type of subcontracts that the mentor firm will award to the protégé firm, and the period of time over which the subcontracts will be awarded;

(i) A statement from the protégé firm indicating its commitment to comply with the requirements for reporting and for review of the agreement during the duration of the agreement and for 2 years thereafter;

(j) A program participation term for the agreement that does not exceed 3 years. Requests for an extension of the agreement for a period not to exceed an additional 2 years are subject to the approval of the cognizant Component Director, SBP. The justification must detail the unusual circumstances that warrant a term in excess of 3 years;

(k) Procedures for the mentor firm to notify the protégé firm in writing at least 30 days in advance of the mentor firm’s intent to voluntarily withdraw its participation in the Program. A mentor firm may voluntarily terminate its mentor-protégé agreement(s) only if it no longer wants to be a participant in the Program as a mentor firm. Otherwise, a mentor firm must terminate a mentor-protégé agreement for cause;

(l) Procedures for the mentor firm to terminate the mentor-protégé agreement for cause which provide that—

(1) The mentor firm must furnish the protégé firm a written notice of the proposed termination, stating the specific reasons for such action, at least 30 days in advance of the effective date of such proposed termination;

(2) The protégé firm must have 30 days to respond to such notice of proposed termination, and may rebut any findings believed to be erroneous and offer a remedial program;

(3) Upon prompt consideration of the protégé firm’s response, the mentor firm must either withdraw the notice of proposed termination and continue the protégé firm’s participation, or issue the notice of termination; and

(4) The decision of the mentor firm regarding termination for cause, conforming with the requirements of this section, will be final and is not reviewable by DoD;

(m) Procedures for a protégé firm to notify the mentor firm in writing at least 30 days in advance of the protégé firm’s intent to voluntarily terminate the mentor-protégé agreement;

(n) Additional terms and conditions as may be agreed upon by both parties; and

(o) Signatures and dates for both parties to the mentor-protégé agreement.

I-108 Submission and approval of mentor-protégé agreements.

(a) Upon solicitation or as determined by the cognizant DoD component, mentors will submit—

(1) A mentor application pursuant to I–105, if the mentor has not been previously approved to participate;

(2) A signed mentor-protégé agreement pursuant to I–107;

(3) A statement as to whether the mentor is seeking credit or reimbursement of costs incurred;

(4) The estimated cost of the technical assistance to be provided, broken out per year;

(5) A justification if program participation term is greater than 3 years (Term of agreements may not exceed 5 years); and

(6) For reimbursable agreements, a specific justification for developmental costs in excess of $1,000,000 per year.

(b) When seeking reimbursement of costs, cognizant DoD components may require additional information.

(c) The mentor-protégé agreement must be approved by the cognizant Component Director, SBP, prior to incurring costs eligible for credit.

(d) The cognizant DoD component will execute a contract modification or a separate contract, if justified pursuant to I–103(b)(3), prior to the mentor’s incurring costs eligible for reimbursement.

(e) Credit agreements that are not associated with an existing DoD program and/or component will be submitted for approval to Director, SBP, Defense Contract Management Agency (DCMA), via the mentor’s cognizant administrative contracting officer.

(f) A prospective mentor that has identified Program funds to be made available from a DoD program manager must provide the information in paragraph (a) of this section through the program manager to the cognizant Component Director, SBP, with a letter signed by the program manager indicating the amount of funding that has been identified for the developmental assistance program.

I-109 Reimbursable agreements.

The following program provisions apply to all reimbursable mentor-protégé agreements:

(a) Assistance provided in the form of progress payments to a protégé firm in excess of the customary progress payment rate for the firm will be reimbursed only if implemented in accordance with FAR 22.504(c).

(b) Assistance provided in the form of advance payments will be reimbursed only if the payments have been provided to a protégé firm under subcontract terms and
conditions similar to those in the clause at FAR 52.232-12, Advance Payments. Reimbursement of any advance payments will be made pursuant to the inclusion of the clause at DFARS 202.232-7005, Reimbursement of Subcontractor Advance Payments—DoD Pilot Mentor-Protege Program, in appropriate contracts. In requesting reimbursement, the mentor firm agrees that the risk of any financial loss due to the failure or inability of a protege firm to repay any unliquidated advance payments will be the sole responsibility of the mentor firm.

(c) The primary forms of developmental assistance authorized for reimbursement under the Program are identified in I–106(d). On a case-by-case basis, Component Directors, SBP, at their discretion, may approve additional incidental expenses for reimbursement, provided these expenses do not exceed 10 percent of the total estimated cost of the agreement.

(d) The total amount reimbursed to a mentor firm for costs of assistance furnished to a protege firm in a fiscal year may not exceed $1,000,000 unless the cognizant Component Director, SBP, determines in writing that unusual circumstances justify reimbursement at a higher amount. Request for authority to reimburse in excess of $1,000,000 must detail the unusual circumstances and must be endorsed and submitted by the program manager to the cognizant Component Director, SBP.

(e) Developmental assistance costs that are incurred pursuant to an approved reimbursable mentor-protege agreement, and have been charged to, but not reimbursed through, a separate contract, or through a separately priced contract line item added to a DoD contract, will not be otherwise reimbursed, as either a direct or indirect cost, under any other DoD contract, irrespective of whether the costs have been recognized for credit against applicable subcontracting goals.

I–110 Credit agreements.

I–110.1 Program provisions applicable to credit agreements.

(a) Developmental assistance costs incurred by a mentor firm for providing assistance to a protege firm pursuant to an approved credit mentor-protege agreement may be credited as if the costs were incurred under a subcontract award to that protege, for the purpose of determining the performance of the mentor firm in attaining an applicable subcontracting goal established under any contract containing a subcontracting plan pursuant to the clause at FAR 52.219-9, Small Business Subcontracting Plan, or the provisions of the DoD Comprehensive Subcontracting Plan Test Program. Unreimbursed developmental assistance costs incurred for a protege firm that is an eligible entity employing the severely disabled may be credited toward the mentor firm’s small disadvantaged business subcontracting goal, even if the protege firm is not a small disadvantaged business concern.

(b) Costs that have been reimbursed through inclusion in indirect expense pools may also be credited as subcontract awards for determining the performance of the mentor firm in attaining an applicable subcontracting goal established under any contract containing a subcontracting plan. However, costs that have not been reimbursed because they are not reasonable, allocable, or allowable will not be recognized for crediting purposes.

(c) Other costs that are not eligible for reimbursement pursuant to I–106(d) may be recognized for credit only if requested, identified, and incorporated in an approved mentor-protege agreement.

(d) The amount of credit a mentor firm may receive for any such unreimbursed developmental assistance costs must be equal to:

1. Four times the total amount of such costs attributable to assistance provided by small business development centers, historically Black colleges and universities, minority institutions, and procurement technical assistance centers.

2. Three times the total amount of such costs attributable to assistance furnished by the mentor’s employees.

3. Two times the total amount of other such costs incurred by the mentor in carrying out the developmental assistance program.

I–110.2 Credit adjustments.

(a) Adjustments may be made to the amount of credit claimed if the Director, SBP, OUSD(AT&L), determines that:

1. A mentor firm’s performance in the attainment of its subcontracting goals through actual subcontract awards declined from the prior fiscal year without justifiable cause; and

2. Imposition of such a limitation on credit appears to be warranted to prevent abuse of this incentive for the mentor firm’s participation in the Program.

(b) The mentor firm must be afforded the opportunity to explain the decline in small business subcontract awards before imposition of any such limitation on credit. In making the final decision to impose a limitation on credit, the Director, SBP, OUSD(AT&L), must consider:

1. The mentor firm’s overall small business participation rates (in terms of percentages of subcontract awards and dollars awarded) as compared to the participation rates existing during the 2 fiscal years prior to the firm’s admission to the Program;

2. The mentor firm’s aggregate prime contract awards during the prior 2 fiscal years.
and the total amount of subcontract awards under such contracts; and

(3) Such other information the mentor firm may wish to submit.

(c) The Acting Director, SBP, OUSD(AT&L), regarding the imposition of a limitation on credit will be final.

I-111 Agreement terminations.

(a) Mentors and/or protégés must send a copy of any termination notices to the cognizant Component Director, SBP, that approved the agreement, and the DCMA administrative contracting officer responsible for conducting the annual review pursuant to I-113.

(b) For reimbursable agreements, mentors must also send copies of any termination to the program manager and to the contracting officer.

(c) Termination of a mentor-protégé agreement will not impair the obligations of the mentor firm to perform pursuant to its contractual obligations under Government contracts and subcontracts.

(d) Termination of all or part of the mentor-protégé agreement will not impair the obligations to the protégé firm to perform pursuant to its contractual obligations under any contract awarded to the protégé firm by the mentor firm.

(e) Mentors and protégés will follow provisions of the mentor-protégé agreement developed in compliance with I-107(k) through (m).

I-112 Reporting requirements.

I-112.1 Reporting requirements applicable to Individual Subcontract Reports (ISR), Summary Subcontract Reports (SSR) and SF 294s.

(a) Amounts credited toward applicable subcontracting goal(s) for unreimbursed costs under the Program must be separately identified on the appropriate ISR, SSR or SF 294 reports from the amounts credited toward the goal(s) resulting from the award of actual subcontracts to protégé firms. The combination of the two must equal the mentor firm’s overall accomplishment toward the applicable goal(s).

(b) A mentor firm may receive credit toward the attainment of an SDB subcontracting goal for each subcontract awarded by the mentor firm to an entity that qualifies as a protégé firm pursuant to I-101.3 or I-101.5.

(c) For purposes of calculating any incentives to be paid to a mentor firm for exceeding an SDB subcontracting goal pursuant to the clause at FAR 52.219-26, Small Disadvantaged Business Participation Program—Incentive Subcontracting, incentives will be paid only if an SDB subcontracting goal has been exceeded as a result of actual subcontract awards to SDBs (i.e., excluding credit).

I-112.2 Program specific reporting requirements.

(a) Mentors must report on the progress made under active mentor-protégé agreements semiannually for the periods ending March 31st and September 30th throughout the Program participation term of the agreement. The September 30th report must address the entire fiscal year.

(b) Reports are due 30 days after the close of each reporting period.

(c) Each report must include the following data on performance under the mentor-protégé agreement:

1. Dollars obligated (for reimbursable agreements).

2. Expenditures.

3. Dollars credited, if any, toward applicable subcontracting goals as a result of developmental assistance provided to the protégé and a copy of the ISR or SF 294 and SSR for each contract where developmental assistance was credited.

4. The number and dollar value of subcontracts awarded to the protégé firm.

5. Description of developmental assistance provided, including milestones achieved.

6. Impact of the agreement in terms of capabilities enhanced, certifications received, and/or technology transferred.

(d) A recommended reporting format and guidance for its submission are available at: http://www.acq.osd.mil/sadbu/mentor_protégé.

(e) The protégé must provide data, annually by October 31st, on the progress made during the prior fiscal year by the protégé in employment, revenues, and participation in DoD contracts during—

1. Each fiscal year of the Program participation term; and

2. Each of the 2 fiscal years following the expiration of the Program participation term.

(f) The protégé report required by paragraph (e) of this section may be provided as part of the mentor report for the period ending September 30th required by paragraph (a) of this section.

(g) Progress reports must be submitted—

1. For credit agreements, to the cognizant Component Director, SBP, that approved the agreement, and the mentor’s cognizant DCMA administrative contracting officer; and

2. For reimbursable agreements, to the cognizant Component Director, SBP, the contracting officer, the DCMA administrative contracting officer, and the program manager.

I-113 Performance reviews.

(a) DCMA will conduct annual performance reviews of the progress and accomplishments realized under approved mentor-protégé agreements. These reviews must verify data provided on the semiannual reports and must provide information as to—
(1) Whether all costs reimbursed to the mentor firm under the agreement were reasonably incurred to furnish assistance to the protégé in accordance with the mentor-protégé agreement and applicable regulations and procedures; and

(2) Whether the mentor and protégé accurately reported progress made by the protégé in employment, revenues, and participation in DoD contracts during the Program participation term and for 2 fiscal years following the expiration of the Program participation term.

(b) A checklist for annual performance reviews is available at http://www.acq.osd.mil/osbp/mentor_protégé/.

FINDING AIDS

A list of CFR titles, subtitles, chapters, subchapters and parts and an alphabetical list of agencies publishing in the CFR are included in the CFR Index and Finding Aids volume to the Code of Federal Regulations which is published separately and revised annually.

Table of CFR Titles and Chapters
Alphabetical List of Agencies Appearing in the CFR
List of CFR Sections Affected
# Table of CFR Titles and Chapters
*(Revised as of October 1, 2011)*

## Title 1—General Provisions
- I  Administrative Committee of the Federal Register (Parts 1—49)
- II  Office of the Federal Register (Parts 50—299)
- III  Administrative Conference of the United States (Parts 300—399)
- IV  Miscellaneous Agencies (Parts 400—500)

## Title 2—Grants and Agreements

### Subtitle A—Office of Management and Budget Guidance for Grants and Agreements
- I  Office of Management and Budget Governmentwide Guidance for Grants and Agreements (Parts 100—199)
- II  Office of Management and Budget Circulars and Guidance (Parts 200—299)

### Subtitle B—Federal Agency Regulations for Grants and Agreements
- III  Department of Health and Human Services (Parts 300—399)
- IV  Department of Agriculture (Parts 400—499)
- VI  Department of State (Parts 600—699)
- VII  Agency for International Development (Parts 700—799)
- VIII  Department of Veterans Affairs (Parts 800—899)
- IX  Department of Energy (Parts 900—999)
- XI  Department of Defense (Parts 1100—1199)
- XII  Department of Transportation (Parts 1200—1299)
- XIII  Department of Commerce (Parts 1300—1399)
- XIV  Department of the Interior (Parts 1400—1499)
- XV  Environmental Protection Agency (Parts 1500—1599)
- XVIII  National Aeronautics and Space Administration (Parts 1880—1899)
- XX  United States Nuclear Regulatory Commission (Parts 2000—2099)
- XXII  Corporation for National and Community Service (Parts 2200—2299)
- XXIII  Social Security Administration (Parts 2300—2399)
- XXIV  Housing and Urban Development (Parts 2400—2499)
- XXV  National Science Foundation (Parts 2500—2599)
- XXVI  National Archives and Records Administration (Parts 2600—2699)
- XXVII  Small Business Administration (Parts 2700—2799)
- XXVIII  Department of Justice (Parts 2800—2899)
Title 2—Grants and Agreements—Continued

XXX Department of Homeland Security (Parts 3000—3099)
XXXI Institute of Museum and Library Services (Parts 3100—3199)
XXXII National Endowment for the Arts (Parts 3200—3299)
XXXIII National Endowment for the Humanities (Parts 3300—3399)
XXXV Export-Import Bank of the United States (Parts 3500—3599)
XXXVII Peace Corps (Parts 3700—3799)
LVIII Election Assistance Commission (Parts 5800—5899)

Title 3—The President

I Executive Office of the President (Parts 100—199)

Title 4—Accounts

I Government Accountability Office (Parts 1—99)
II Recovery Accountability and Transparency Board (Parts 200—299)

Title 5—Administrative Personnel

I Office of Personnel Management (Parts 1—1199)
II Merit Systems Protection Board (Parts 1200—1299)
III Office of Management and Budget (Parts 1300—1399)
V The International Organizations Employees Loyalty Board (Parts 1500—1599)
VI Federal Retirement Thrift Investment Board (Parts 1600—1699)
VIII Office of Special Counsel (Parts 1800—1899)
IX Appalachian Regional Commission (Parts 1900—1999)
XI Armed Forces Retirement Home (Parts 2100—2199)
XIV Federal Labor Relations Authority, General Counsel of the Federal Labor Relations Authority and Federal Service Impasses Panel (Parts 2400—2499)
XV Office of Administration, Executive Office of the President (Parts 2500—2599)
XVI Office of Government Ethics (Parts 2600—2699)
XXI Department of the Treasury (Parts 3100—3199)
XXII Federal Deposit Insurance Corporation (Parts 3200—3299)
XXIII Department of Energy (Parts 3300—3399)
XXIV Federal Energy Regulatory Commission (Parts 3400—3499)
XXV Department of the Interior (Parts 3500—3599)
XXVI Department of Defense (Parts 3600—3699)
XXVIII Department of Justice (Parts 3800—3899)
XXIX Federal Communications Commission (Parts 3900—3999)
XXX Farm Credit System Insurance Corporation (Parts 4000—4099)
XXXI Farm Credit Administration (Parts 4100—4199)
XXXIII Overseas Private Investment Corporation (Parts 4300—4399)
## Title 5—Administrative Personnel—Continued

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Description</th>
<th>Parts</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXXIV</td>
<td>Securities and Exchange Commission</td>
<td>4400—4499</td>
</tr>
<tr>
<td>XXXV</td>
<td>Office of Personnel Management</td>
<td>4500—4599</td>
</tr>
<tr>
<td>XL</td>
<td>Interstate Commerce Commission</td>
<td>5000—5099</td>
</tr>
<tr>
<td>XLI</td>
<td>Commodity Futures Trading Commission</td>
<td>5100—5199</td>
</tr>
<tr>
<td>XLII</td>
<td>Department of Labor</td>
<td>5200—5299</td>
</tr>
<tr>
<td>XLIll</td>
<td>National Science Foundation</td>
<td>5300—5399</td>
</tr>
<tr>
<td>XLV</td>
<td>Department of Health and Human Services</td>
<td>5500—5599</td>
</tr>
<tr>
<td>XLVI</td>
<td>Postal Rate Commission</td>
<td>5600—5699</td>
</tr>
<tr>
<td>XLVII</td>
<td>Federal Trade Commission</td>
<td>5700—5799</td>
</tr>
<tr>
<td>XLVIII</td>
<td>Nuclear Regulatory Commission</td>
<td>5800—5899</td>
</tr>
<tr>
<td>XLIX</td>
<td>Federal Labor Relations Authority</td>
<td>5900—5999</td>
</tr>
<tr>
<td>L</td>
<td>Department of Transportation</td>
<td>6000—6099</td>
</tr>
<tr>
<td>LI</td>
<td>Export-Import Bank of the United States</td>
<td>6200—6299</td>
</tr>
<tr>
<td>LII</td>
<td>Department of Education</td>
<td>6300—6399</td>
</tr>
<tr>
<td>LIII</td>
<td>Environmental Protection Agency</td>
<td>6400—6499</td>
</tr>
<tr>
<td>LV</td>
<td>National Endowment for the Arts</td>
<td>6500—6599</td>
</tr>
<tr>
<td>LVI</td>
<td>National Endowment for the Humanities</td>
<td>6600—6699</td>
</tr>
<tr>
<td>LVII</td>
<td>General Services Administration</td>
<td>6700—6799</td>
</tr>
<tr>
<td>LVIII</td>
<td>Board of Governors of the Federal Reserve System</td>
<td>6800—6899</td>
</tr>
<tr>
<td>LIX</td>
<td>National Aeronautics and Space Administration</td>
<td>6900—6999</td>
</tr>
<tr>
<td>LX</td>
<td>United States Postal Service</td>
<td>7000—7099</td>
</tr>
<tr>
<td>LXI</td>
<td>National Labor Relations Board</td>
<td>7100—7199</td>
</tr>
<tr>
<td>LXII</td>
<td>Equal Employment Opportunity Commission</td>
<td>7200—7299</td>
</tr>
<tr>
<td>LXIII</td>
<td>Inter-American Foundation</td>
<td>7300—7399</td>
</tr>
<tr>
<td>LXIV</td>
<td>Merit Systems Protection Board</td>
<td>7400—7499</td>
</tr>
<tr>
<td>LXV</td>
<td>Department of Housing and Urban Development</td>
<td>7500—7599</td>
</tr>
<tr>
<td>LXVI</td>
<td>National Archives and Records Administration</td>
<td>7600—7699</td>
</tr>
<tr>
<td>LXVII</td>
<td>Institute of Museum and Library Services</td>
<td>7700—7799</td>
</tr>
<tr>
<td>LXVIII</td>
<td>Commission on Civil Rights</td>
<td>7800—7899</td>
</tr>
<tr>
<td>LXIX</td>
<td>Tennessee Valley Authority</td>
<td>7900—7999</td>
</tr>
<tr>
<td>LXX</td>
<td>Court Services and Offender Supervision Agency for the District of Columbia</td>
<td>8000—8099</td>
</tr>
<tr>
<td>LXXI</td>
<td>Consumer Product Safety Commission</td>
<td>8100—8199</td>
</tr>
<tr>
<td>LXXII</td>
<td>Department of Agriculture</td>
<td>8300—8399</td>
</tr>
<tr>
<td>LXXIV</td>
<td>Federal Mine Safety and Health Review Commission</td>
<td>8400—8499</td>
</tr>
<tr>
<td>LXXVI</td>
<td>Federal Retirement Thrift Investment Board</td>
<td>8600—8699</td>
</tr>
<tr>
<td>LXXVII</td>
<td>Office of Management and Budget</td>
<td>8700—8799</td>
</tr>
<tr>
<td>LXXX</td>
<td>Federal Housing Finance Agency</td>
<td>8700—8799</td>
</tr>
<tr>
<td>LXXXII</td>
<td>Special Inspector General for Iraq Reconstruction</td>
<td>9200—9299</td>
</tr>
</tbody>
</table>
Title 5—Administrative Personnel—Continued


Title 6—Domestic Security

I Department of Homeland Security, Office of the Secretary (Parts 0—99)

Title 7—Agriculture

SUBTITLE A—Office of the Secretary of Agriculture (Parts 0—26)

SUBTITLE B—Regulations of the Department of Agriculture

I Agricultural Marketing Service (Standards, Inspections, Marketing Practices), Department of Agriculture (Parts 27—209)

II Food and Nutrition Service, Department of Agriculture (Parts 210—299)

III Animal and Plant Health Inspection Service, Department of Agriculture (Parts 300—399)

IV Federal Crop Insurance Corporation, Department of Agriculture (Parts 400—499)

V Agricultural Research Service, Department of Agriculture (Parts 500—599)

VI Natural Resources Conservation Service, Department of Agriculture (Parts 600—699)

VII Farm Service Agency, Department of Agriculture (Parts 700—799)

VIII Grain Inspection, Packers and Stockyards Administration (Federal Grain Inspection Service), Department of Agriculture (Parts 800—899)

IX Agricultural Marketing Service (Marketing Agreements and Orders; Fruits, Vegetables, Nuts), Department of Agriculture (Parts 900—999)

X Agricultural Marketing Service (Marketing Agreements and Orders; Milk), Department of Agriculture (Parts 1000—1199)

XI Agricultural Marketing Service (Marketing Agreements and Orders; Miscellaneous Commodities), Department of Agriculture (Parts 1200—1299)

XIV Commodity Credit Corporation, Department of Agriculture (Parts 1400—1499)

XV Foreign Agricultural Service, Department of Agriculture (Parts 1500—1599)

XVI Rural Telephone Bank, Department of Agriculture (Parts 1600—1699)

XVII Rural Utilities Service, Department of Agriculture (Parts 1700—1799)
Title 7—Agriculture—Continued

XVIII Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, and Farm Service Agency, Department of Agriculture (Parts 1800—2099)

XX Local Television Loan Guarantee Board (Parts 2200—2299)

XXVI Office of Inspector General, Department of Agriculture (Parts 2600—2699)

XXVII Office of Information Resources Management, Department of Agriculture (Parts 2700—2799)

XXVIII Office of Operations, Department of Agriculture (Parts 2800—2899)

XXIX Office of Energy Policy and New Uses, Department of Agriculture (Parts 2900—2999)

XXX Office of the Chief Financial Officer, Department of Agriculture (Parts 3000—3099)

XXXI Office of Environmental Quality, Department of Agriculture (Parts 3100—3199)

XXXII Office of Procurement and Property Management, Department of Agriculture (Parts 3200—3299)

XXXIII Office of Transportation, Department of Agriculture (Parts 3300—3399)

XXXIV National Institute of Food and Agriculture (Parts 3400—3499)

XXXV Rural Housing Service, Department of Agriculture (Parts 3500—3599)

XXXVI National Agricultural Statistics Service, Department of Agriculture (Parts 3600—3699)

XXXVII Economic Research Service, Department of Agriculture (Parts 3700—3799)

XXXVIII World Agricultural Outlook Board, Department of Agriculture (Parts 3800—3899)

XLI [Reserved]

XLII Rural Business-Cooperative Service and Rural Utilities Service, Department of Agriculture (Parts 4200—4299)

L Rural Business-Cooperative Service, Rural Housing Service, and Rural Utilities Service, Department of Agriculture (Parts 5000—5099)

Title 8—Aliens and Nationality

I Department of Homeland Security (Immigration and Naturalization) (Parts 1—499)

V Executive Office for Immigration Review, Department of Justice (Parts 1000—1399)

Title 9—Animals and Animal Products

I Animal and Plant Health Inspection Service, Department of Agriculture (Parts 1—199)

II Grain Inspection, Packers and Stockyards Administration (Packers and Stockyards Programs), Department of Agriculture (Parts 200—299)
Title 9—Animals and Animal Products—Continued

III Food Safety and Inspection Service, Department of Agriculture (Parts 300—599)

Title 10—Energy

I Nuclear Regulatory Commission (Parts 0—199)
II Department of Energy (Parts 200—699)
III Department of Energy (Parts 700—999)
X Department of Energy (General Provisions) (Parts 1000—1099)
XIII Nuclear Waste Technical Review Board (Parts 1303—1399)
XVII Defense Nuclear Facilities Safety Board (Parts 1700—1799)
XVIII Northeast Interstate Low-Level Radioactive Waste Commission (Parts 1800—1899)

Title 11—Federal Elections

I Federal Election Commission (Parts 1—9099)
II Election Assistance Commission (Parts 9400—9499)

Title 12—Banks and Banking

I Comptroller of the Currency, Department of the Treasury (Parts 1—199)
II Federal Reserve System (Parts 200—299)
III Federal Deposit Insurance Corporation (Parts 300—399)
IV Export-Import Bank of the United States (Parts 400—499)
V Office of Thrift Supervision, Department of the Treasury (Parts 500—599)
VI Farm Credit Administration (Parts 600—699)
VII National Credit Union Administration (Parts 700—799)
VIII Federal Financing Bank (Parts 800—899)
IX Federal Housing Finance Board (Parts 900—999)
X Bureau of Consumer Financial Protection (Parts 1000—1099)
XI Federal Financial Institutions Examination Council (Parts 1100—1199)
XII Federal Housing Finance Agency (Parts 1200—1299)
XIII Financial Stability Oversight Council (Parts 1300—1399)
XIV Farm Credit System Insurance Corporation (Parts 1400—1499)
XV Department of the Treasury (Parts 1500—1599)
XVII Office of Federal Housing Enterprise Oversight, Department of Housing and Urban Development (Parts 1700—1799)
XVIII Community Development Financial Institutions Fund, Department of the Treasury (Parts 1800—1899)

Title 13—Business Credit and Assistance

I Small Business Administration (Parts 1—199)
Title 13—Business Credit and Assistance—Continued

III Economic Development Administration, Department of Commerce (Parts 300—399)
IV Emergency Steel Guarantee Loan Board (Parts 400—499)
V Emergency Oil and Gas Guaranteed Loan Board (Parts 500—599)

Title 14—Aeronautics and Space

I Federal Aviation Administration, Department of Transportation (Parts 1—199)
II Office of the Secretary, Department of Transportation (Aviation Proceedings) (Parts 200—399)
III Commercial Space Transportation, Federal Aviation Administration, Department of Transportation (Parts 400—499)
V National Aeronautics and Space Administration (Parts 1200—1299)
VI Air Transportation System Stabilization (Parts 1300—1399)

Title 15—Commerce and Foreign Trade

SUBTITLE A—Office of the Secretary of Commerce (Parts 0—29)
SUBTITLE B—Regulations Relating to Commerce and Foreign Trade
I Bureau of the Census, Department of Commerce (Parts 30—199)
II National Institute of Standards and Technology, Department of Commerce (Parts 200—299)
III International Trade Administration, Department of Commerce (Parts 300—399)
IV Foreign-Trade Zones Board, Department of Commerce (Parts 400—499)
VII Bureau of Industry and Security, Department of Commerce (Parts 700—799)
VIII Bureau of Economic Analysis, Department of Commerce (Parts 800—899)
IX National Oceanic and Atmospheric Administration, Department of Commerce (Parts 900—999)
XI Technology Administration, Department of Commerce (Parts 1100—1199)
XIII East-West Foreign Trade Board (Parts 1300—1399)
XIV Minority Business Development Agency (Parts 1400—1499)
SUBTITLE C—Regulations Relating to Foreign Trade Agreements
XX Office of the United States Trade Representative (Parts 2000—2099)
SUBTITLE D—Regulations Relating to Telecommunications and Information
XXIII National Telecommunications and Information Administration, Department of Commerce (Parts 2300—2399)
Title 16—Commercial Practices

I Federal Trade Commission (Parts 0—999)
II Consumer Product Safety Commission (Parts 1000—1799)

Title 17—Commodity and Securities Exchanges

I Commodity Futures Trading Commission (Parts 1—199)
II Securities and Exchange Commission (Parts 200—399)
IV Department of the Treasury (Parts 400—499)

Title 18—Conservation of Power and Water Resources

I Federal Energy Regulatory Commission, Department of Energy (Parts 1—399)
III Delaware River Basin Commission (Parts 400—499)
VI Water Resources Council (Parts 700—799)
VIII Susquehanna River Basin Commission (Parts 800—899)
XIII Tennessee Valley Authority (Parts 1300—1399)

Title 19—Customs Duties

I U.S. Customs and Border Protection, Department of Homeland Security; Department of the Treasury (Parts 0—199)
II United States International Trade Commission (Parts 200—299)
III International Trade Administration, Department of Commerce (Parts 300—399)
IV U.S. Immigration and Customs Enforcement, Department of Homeland Security (Parts 400—599)

Title 20—Employees’ Benefits

I Office of Workers’ Compensation Programs, Department of Labor (Parts 1—199)
II Railroad Retirement Board (Parts 200—399)
III Social Security Administration (Parts 400—499)
IV Employees Compensation Appeals Board, Department of Labor (Parts 500—599)
V Employment and Training Administration, Department of Labor (Parts 600—699)
VI Office of Workers’ Compensation Programs, Department of Labor (Parts 700—799)
VII Benefits Review Board, Department of Labor (Parts 800—899)
VIII Joint Board for the Enrollment of Actuaries (Parts 900—999)
IX Office of the Assistant Secretary for Veterans’ Employment and Training Service, Department of Labor (Parts 1000—1099)
Title 21—Food and Drugs

I Food and Drug Administration, Department of Health and Human Services (Parts 1—1299)

II Drug Enforcement Administration, Department of Justice (Parts 1300—1399)

III Office of National Drug Control Policy (Parts 1400—1499)

Title 22—Foreign Relations

I Department of State (Parts 1—199)

II Agency for International Development (Parts 200—299)

III Peace Corps (Parts 300—399)

IV International Joint Commission, United States and Canada (Parts 400—499)

V Broadcasting Board of Governors (Parts 500—599)

VI Overseas Private Investment Corporation (Parts 700—799)

IX Foreign Service Grievance Board (Parts 900—999)

X Inter-American Foundation (Parts 1000—1099)

XI International Boundary and Water Commission, United States and Mexico, United States Section (Parts 1100—1199)

XII United States International Development Cooperation Agency (Parts 1200—1299)

XIII Millenium Challenge Corporation (Parts 1300—1399)

XIV Foreign Service Labor Relations Board; Federal Labor Relations Authority; General Counsel of the Federal Labor Relations Authority; and the Foreign Service Impasse Disputes Panel (Parts 1400—1499)

XV African Development Foundation (Parts 1500—1599)

XVI Japan-United States Friendship Commission (Parts 1600—1699)

XVII United States Institute of Peace (Parts 1700—1799)

Title 23—Highways

I Federal Highway Administration, Department of Transportation (Parts 1—999)

II National Highway Traffic Safety Administration and Federal Highway Administration, Department of Transportation (Parts 1200—1299)

III National Highway Traffic Safety Administration, Department of Transportation (Parts 1300—1399)

Title 24—Housing and Urban Development

Subtitle A—Office of the Secretary, Department of Housing and Urban Development (Parts 0—99)

Subtitle B—Regulations Relating to Housing and Urban Development

I Office of Assistant Secretary for Equal Opportunity, Department of Housing and Urban Development (Parts 100—199)
Title 24—Housing and Urban Development—Continued

II Office of Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development (Parts 200—299)

III Government National Mortgage Association, Department of Housing and Urban Development (Parts 300—399)

IV Office of Housing and Office of Multifamily Housing Assistance Restructuring, Department of Housing and Urban Development (Parts 400—499)

V Office of Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development (Parts 500—599)

VI Office of Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development (Parts 600—699) [Reserved]

VII Office of the Secretary, Department of Housing and Urban Development (Housing Assistance Programs and Public and Indian Housing Programs) (Parts 700—799)

VIII Office of the Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development (Section 8 Housing Assistance Programs, Section 202 Direct Loan Program, Section 202 Supportive Housing for the Elderly Program and Section 811 Supportive Housing for Persons With Disabilities Program) (Parts 800—899)

IX Office of Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development (Parts 900—1699)

X Office of Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development (Interstate Land Sales Registration Program) (Parts 1700—1799)

XII Office of Inspector General, Department of Housing and Urban Development (Parts 2000—2099)

XV Emergency Mortgage Insurance and Loan Programs, Department of Housing and Urban Development (Parts 2700—2799)

XX Office of Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development (Parts 3200—3899)

XXIV Board of Directors of the HOPE for Homeowners Program (Parts 4000—4099)

XXV Neighborhood Reinvestment Corporation (Parts 4100—4199)

Title 25—Indians

I Bureau of Indian Affairs, Department of the Interior (Parts 1—299)

II Indian Arts and Crafts Board, Department of the Interior (Parts 300—399)

III National Indian Gaming Commission, Department of the Interior (Parts 500—599)

IV Office of Navajo and Hopi Indian Relocation (Parts 700—799)

V Bureau of Indian Affairs, Department of the Interior, and Indian Health Service, Department of Health and Human Services (Part 900)
Title 25—Indians—Continued

VI Office of the Assistant Secretary-Indian Affairs, Department of the Interior (Parts 1000—1199)

VII Office of the Special Trustee for American Indians, Department of the Interior (Parts 1200—1299)

Title 26—Internal Revenue

I Internal Revenue Service, Department of the Treasury (Parts 1—899)

Title 27—Alcohol, Tobacco Products and Firearms

I Alcohol and Tobacco Tax and Trade Bureau, Department of the Treasury (Parts 1—399)

II Bureau of Alcohol, Tobacco, Firearms, and Explosives, Department of Justice (Parts 400—699)

Title 28—Judicial Administration

I Department of Justice (Parts 0—299)

III Federal Prison Industries, Inc., Department of Justice (Parts 300—399)

V Bureau of Prisons, Department of Justice (Parts 500—599)

VI Offices of Independent Counsel, Department of Justice (Parts 600—699)

VII Office of Independent Counsel (Parts 700—799)

VIII Court Services and Offender Supervision Agency for the District of Columbia (Parts 800—899)

IX National Crime Prevention and Privacy Compact Council (Parts 900—999)

XI Department of Justice and Department of State (Parts 1100—1199)

Title 29—Labor

SUBTITLE A—Office of the Secretary of Labor (Parts 0—99)

SUBTITLE B—Regulations Relating to Labor

I National Labor Relations Board (Parts 100—199)

II Office of Labor-Management Standards, Department of Labor (Parts 200—299)

III National Railroad Adjustment Board (Parts 300—399)

IV Office of Labor-Management Standards, Department of Labor (Parts 400—499)

V Wage and Hour Division, Department of Labor (Parts 500—899)

IX Construction Industry Collective Bargaining Commission (Parts 900—999)

X National Mediation Board (Parts 1200—1299)

XII Federal Mediation and Conciliation Service (Parts 1400—1499)

XIV Equal Employment Opportunity Commission (Parts 1600—1699)
Title 29—Labor—Continued

XVII Occupational Safety and Health Administration, Department of Labor (Parts 1900—1999)
XX Occupational Safety and Health Review Commission (Parts 2200—2499)
XXV Employee Benefits Security Administration, Department of Labor (Parts 2500—2599)
XXVII Federal Mine Safety and Health Review Commission (Parts 2700—2799)
XL Pension Benefit Guaranty Corporation (Parts 4000—4999)

Title 30—Mineral Resources

I Mine Safety and Health Administration, Department of Labor (Parts 1—199)
II Bureau of Ocean Energy Management, Regulation, and Enforcement, Department of the Interior (Parts 200—299)
IV Geological Survey, Department of the Interior (Parts 400—499)
VII Office of Surface Mining Reclamation and Enforcement, Department of the Interior (Parts 700—999)
XII Office of Natural Resources Revenue, Department of the Interior (Parts 1200—1299)

Title 31—Money and Finance: Treasury

SUBTITLE A—Office of the Secretary of the Treasury (Parts 0—50)
SUBTITLE B—Regulations Relating to Money and Finance
I Monetary Offices, Department of the Treasury (Parts 51—199)
II Fiscal Service, Department of the Treasury (Parts 200—399)
IV Secret Service, Department of the Treasury (Parts 400—499)
V Office of Foreign Assets Control, Department of the Treasury (Parts 500—599)
VI Bureau of Engraving and Printing, Department of the Treasury (Parts 600—699)
VII Federal Law Enforcement Training Center, Department of the Treasury (Parts 700—799)
VIII Office of International Investment, Department of the Treasury (Parts 800—899)
IX Federal Claims Collection Standards (Department of the Treasury—Department of Justice) (Parts 900—999)
X Financial Crimes Enforcement Network, Department of the Treasury (Parts 1000—1099)

Title 32—National Defense

SUBTITLE A—Department of Defense
I Office of the Secretary of Defense (Parts 1—399)
V Department of the Army (Parts 400—699)
VI Department of the Navy (Parts 700—799)
Title 32—National Defense—Continued

VII Department of the Air Force (Parts 800—1099)

SUBTITLE B—OTHER REGULATIONS RELATING TO NATIONAL DEFENSE

XII Defense Logistics Agency (Parts 1200—1299)
XVI Selective Service System (Parts 1600—1699)
XVII Office of the Director of National Intelligence (Parts 1700—1799)
XVIII National Counterintelligence Center (Parts 1800—1899)
XIX Central Intelligence Agency (Parts 1900—1999)
XX Information Security Oversight Office, National Archives and Records Administration (Parts 2000—2099)
XXI National Security Council (Parts 2100—2199)
XXIV Office of Science and Technology Policy (Parts 2400—2499)
XXVII Office for Micronesian Status Negotiations (Parts 2700—2799)
XXVIII Office of the Vice President of the United States (Parts 2800—2899)

Title 33—Navigation and Navigable Waters

I Coast Guard, Department of Homeland Security (Parts 1—199)
II Corps of Engineers, Department of the Army (Parts 200—399)
IV Saint Lawrence Seaway Development Corporation, Department of Transportation (Parts 400—499)

Title 34—Education

SUBTITLE A—OFFICE OF THE SECRETARY, DEPARTMENT OF EDUCATION (PARTS 1—99)

SUBTITLE B—REGULATIONS OF THE OFFICES OF THE DEPARTMENT OF EDUCATION

I Office for Civil Rights, Department of Education (Parts 100—199)
II Office of Elementary and Secondary Education, Department of Education (Parts 200—299)
III Office of Special Education and Rehabilitative Services, Department of Education (Parts 300—399)
IV Office of Vocational and Adult Education, Department of Education (Parts 400—499)
V Office of Bilingual Education and Minority Languages Affairs, Department of Education (Parts 500—599)
VI Office of Postsecondary Education, Department of Education (Parts 600—699)
VII Office of Educational Research and Improvement, Department of Education [Reserved]
XI National Institute for Literacy (Parts 1100—1199)

SUBTITLE C—REGULATIONS RELATING TO EDUCATION

XII National Council on Disability (Parts 1200—1299)
Title 35 [Reserved]

Title 36—Parks, Forests, and Public Property

I National Park Service, Department of the Interior (Parts 1—199)
II Forest Service, Department of Agriculture (Parts 200—299)
III Corps of Engineers, Department of the Army (Parts 300—399)
IV American Battle Monuments Commission (Parts 400—499)
V Smithsonian Institution (Parts 500—599)
VI [Reserved]
VII Library of Congress (Parts 700—799)
VIII Advisory Council on Historic Preservation (Parts 800—899)
IX Pennsylvania Avenue Development Corporation (Parts 900—999)
X Presidio Trust (Parts 1000—1099)
XI Architectural and Transportation Barriers Compliance Board (Parts 1100—1199)
XII National Archives and Records Administration (Parts 1200—1299)
XV Oklahoma City National Memorial Trust (Parts 1500—1599)
XVI Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation (Parts 1600—1699)

Title 37—Patents, Trademarks, and Copyrights

I United States Patent and Trademark Office, Department of Commerce (Parts 1—199)
II Copyright Office, Library of Congress (Parts 200—299)
III Copyright Royalty Board, Library of Congress (Parts 301—399)
IV Assistant Secretary for Technology Policy, Department of Commerce (Parts 400—499)
V Under Secretary for Technology, Department of Commerce (Parts 500—599)

Title 38—Pensions, Bonuses, and Veterans' Relief

I Department of Veterans Affairs (Parts 0—99)
II Armed Forces Retirement Home

Title 39—Postal Service

I United States Postal Service (Parts 1—999)
III Postal Regulatory Commission (Parts 3000—3099)

Title 40—Protection of Environment

I Environmental Protection Agency (Parts 1—1099)
IV Environmental Protection Agency and Department of Justice (Parts 1400—1499)
V Council on Environmental Quality (Parts 1500—1599)
Title 40—Protection of Environment—Continued

VI Chemical Safety and Hazard Investigation Board (Parts 1600—1699)

VII Environmental Protection Agency and Department of Defense; Uniform National Discharge Standards for Vessels of the Armed Forces (Parts 1700—1799)

Title 41—Public Contracts and Property Management

SUBTITLE B—Other Provisions Relating to Public Contracts

50 Public Contracts, Department of Labor (Parts 50–1—50–999)

51 Committee for Purchase From People Who Are Blind or Severely Disabled (Parts 51–1—51–99)

60 Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Parts 60–1—60–999)

61 Office of the Assistant Secretary for Veterans’ Employment and Training Service, Department of Labor (Parts 61–1—61–999)

62—100 [Reserved]

SUBTITLE C—Federal Property Management Regulations System

101 Federal Property Management Regulations (Parts 101–1—101–99)

102 Federal Management Regulation (Parts 102–1—102–299)

103—104 [Reserved]

105 General Services Administration (Parts 105–1—105–999)

109 Department of Energy Property Management Regulations (Parts 109–1—109–99)

114 Department of the Interior (Parts 114–1—114–99)

115 Environmental Protection Agency (Parts 115–1—115–99)

128 Department of Justice (Parts 128–1—128–99)

129—200 [Reserved]

SUBTITLE D—Other Provisions Relating to Property Management [Reserved]

SUBTITLE E—Federal Information Resources Management Regulations System [Reserved]

SUBTITLE F—Federal Travel Regulation System

300 General (Parts 300–1—300–99)

301 Temporary Duty (TDY) Travel Allowances (Parts 301–1—301–99)

302 Relocation Allowances (Parts 302–1—302–99)

303 Payment of Expenses Connected with the Death of Certain Employees (Part 303–1—303–99)

304 Payment of Travel Expenses from a Non-Federal Source (Parts 304–1—304–99)

Title 42—Public Health

I Public Health Service, Department of Health and Human Services (Parts 1—199)

IV Centers for Medicare & Medicaid Services, Department of Health and Human Services (Parts 400—499)
Title 42—Public Health—Continued

V Office of Inspector General-Health Care, Department of Health and Human Services (Parts 1000—1999)

Title 43—Public Lands: Interior

Subtitle A—Office of the Secretary of the Interior (Parts 1—199)
Subtitle B—Regulations Relating to Public Lands
I Bureau of Reclamation, Department of the Interior (Parts 200—499)
II Bureau of Land Management, Department of the Interior (Parts 1000—9999)
III Utah Reclamation Mitigation and Conservation Commission (Parts 10000—10099)

Title 44—Emergency Management and Assistance

I Federal Emergency Management Agency, Department of Homeland Security (Parts 0—399)
IV Department of Commerce and Department of Transportation (Parts 400—499)

Title 45—Public Welfare

Subtitle A—Department of Health and Human Services (Parts 1—199)
Subtitle B—Regulations Relating to Public Welfare
II Office of Family Assistance (Assistance Programs), Administration for Children and Families, Department of Health and Human Services (Parts 200—299)
III Office of Child Support Enforcement (Child Support Enforcement Program), Administration for Children and Families, Department of Health and Human Services (Parts 300—399)
IV Office of Refugee Resettlement, Administration for Children and Families, Department of Health and Human Services (Parts 400—499)
V Foreign Claims Settlement Commission of the United States, Department of Justice (Parts 500—599)
VI National Science Foundation (Parts 600—699)
VII Commission on Civil Rights (Parts 700—799)
VIII Office of Personnel Management (Parts 800—899) [Reserved]
X Office of Community Services, Administration for Children and Families, Department of Health and Human Services (Parts 1000—1099)
XI National Foundation on the Arts and the Humanities (Parts 1100—1199)
XII Corporation for National and Community Service (Parts 1200—1299)
XIII Office of Human Development Services, Department of Health and Human Services (Parts 1300—1399)
Title 45—Public Welfare—Continued

XVI Legal Services Corporation (Parts 1600—1699)
XVII National Commission on Libraries and Information Science (Parts 1700—1799)
XVIII Harry S. Truman Scholarship Foundation (Parts 1800—1899)
XXI Commission on Fine Arts (Parts 2100—2199)
XXIII Arctic Research Commission (Part 2301)
XXIV James Madison Memorial Fellowship Foundation (Parts 2400—2499)
XXV Corporation for National and Community Service (Parts 2500—2599)

Title 46—Shipping

I Coast Guard, Department of Homeland Security (Parts 1—199)
II Maritime Administration, Department of Transportation (Parts 200—399)
III Coast Guard (Great Lakes Pilotage), Department of Homeland Security (Parts 400—499)
IV Federal Maritime Commission (Parts 500—599)

Title 47—Telecommunication

I Federal Communications Commission (Parts 0—199)
II Office of Science and Technology Policy and National Security Council (Parts 200—299)
III National Telecommunications and Information Administration, Department of Commerce (Parts 300—399)
IV National Telecommunications and Information Administration, Department of Commerce, and National Highway Traffic Safety Administration, Department of Transportation (Parts 400—499)

Title 48—Federal Acquisition Regulations System

1 Federal Acquisition Regulation (Parts 1—99)
2 Defense Acquisition Regulations System, Department of Defense (Parts 200—299)
3 Health and Human Services (Parts 300—399)
4 Department of Agriculture (Parts 400—499)
5 General Services Administration (Parts 500—599)
6 Department of State (Parts 600—699)
7 Agency for International Development (Parts 700—799)
8 Department of Veterans Affairs (Parts 800—899)
9 Department of Energy (Parts 900—999)
10 Department of the Treasury (Parts 1000—1099)
12 Department of Transportation (Parts 1200—1299)
13 Department of Commerce (Parts 1300—1399)
14 Department of the Interior (Parts 1400—1499)
Title 48—Federal Acquisition Regulations System—Continued

15 Environmental Protection Agency (Parts 1500—1599)
16 Office of Personnel Management, Federal Employees Health Benefits Acquisition Regulation (Parts 1600—1699)
17 Office of Personnel Management (Parts 1700—1799)
18 National Aeronautics and Space Administration (Parts 1800—1899)
19 Broadcasting Board of Governors (Parts 1900—1999)
20 Nuclear Regulatory Commission (Parts 2000—2099)
21 Office of Personnel Management, Federal Employees Group Life Insurance Federal Acquisition Regulation (Parts 2100—2199)
23 Social Security Administration (Parts 2300—2399)
24 Department of Housing and Urban Development (Parts 2400—2499)
25 National Science Foundation (Parts 2500—2599)
26 Department of Justice (Parts 2600—2699)
28 Department of Labor (Parts 2800—2899)
30 Department of Homeland Security, Homeland Security Acquisition Regulation (HSAR) (Parts 3000—3099)
34 Department of Education Acquisition Regulation (Parts 3400—3499)
35 Department of the Army Acquisition Regulations (Parts 3500—3599)
36 Department of the Navy Acquisition Regulations (Parts 3600—3699)
37 Department of the Air Force Federal Acquisition Regulation Supplement [Reserved]
41 Defense Logistics Agency, Department of Defense (Parts 4100—4199)
51 African Development Foundation (Parts 5100—5199)
53 Civilian Board of Contract Appeals, General Services Administration (Parts 5300—5399)
55 Department of Transportation Board of Contract Appeals (Parts 5500—5599)
57 Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget (Parts 5700—5799)

Title 49—Transportation

Subtitle A—Office of the Secretary of Transportation (Parts 1—99)
Subtitle B—Other Regulations Relating to Transportation
I Pipeline and Hazardous Materials Safety Administration, Department of Transportation (Parts 100—199)
II Federal Railroad Administration, Department of Transportation (Parts 200—299)
III Federal Motor Carrier Safety Administration, Department of Transportation (Parts 300—399)
IV Coast Guard, Department of Homeland Security (Parts 400—499)
Title 49—Transportation—Continued

Chap.  
V National Highway Traffic Safety Administration, Department of Transportation (Parts 500—599)  
VI Federal Transit Administration, Department of Transportation (Parts 600—699)  
VII National Railroad Passenger Corporation (AMTRAK) (Parts 700—799)  
VIII National Transportation Safety Board (Parts 800—999)  
X Surface Transportation Board, Department of Transportation (Parts 1000—1399)  
XI Research and Innovative Technology Administration, Department of Transportation [Reserved]  
XII Transportation Security Administration, Department of Homeland Security (Parts 1500—1699)

Title 50—Wildlife and Fisheries

I United States Fish and Wildlife Service, Department of the Interior (Parts 1—199)  
II National Marine Fisheries Service, National Oceanic and Atmospheric Administration, Department of Commerce (Parts 200—299)  
III International Fishing and Related Activities (Parts 300—399)  
IV Joint Regulations (United States Fish and Wildlife Service, Department of the Interior and National Marine Fisheries Service, National Oceanic and Atmospheric Administration, Department of Commerce); Endangered Species Committee Regulations (Parts 400—499)  
V Marine Mammal Commission (Parts 500—599)  
VI Fishery Conservation and Management, National Oceanic and Atmospheric Administration, Department of Commerce (Parts 600—699)

CFR Index and Finding Aids

Subject/Agency Index  
List of Agency Prepared Indexes  
Parallel Tables of Statutory Authorities and Rules  
List of CFR Titles, Chapters, Subchapters, and Parts  
Alphabetical List of Agencies Appearing in the CFR
# Alphabetical List of Agencies Appearing in the CFR

(Revised as of October 1, 2011)

<table>
<thead>
<tr>
<th>Agency</th>
<th>CFR Title, Subtitle or Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administraive Committee of the Federal Register</td>
<td>1, I</td>
</tr>
<tr>
<td>Administrative Conference of the United States</td>
<td>1, III</td>
</tr>
<tr>
<td>Advanced Research Projects Agency</td>
<td>32, I</td>
</tr>
<tr>
<td>Advisory Council on Historic Preservation</td>
<td>36, VIII</td>
</tr>
<tr>
<td>African Development Foundation</td>
<td>22, XV</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 57</td>
</tr>
<tr>
<td>Agency for International Development</td>
<td>22, II</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 7</td>
</tr>
<tr>
<td>Agricultural Marketing Service</td>
<td>7, I, IX, X, XI</td>
</tr>
<tr>
<td>Agricultural Research Service</td>
<td>7, V</td>
</tr>
<tr>
<td>Agriculture Department</td>
<td>2, IV; 5, LXXXIII</td>
</tr>
<tr>
<td>Agricultural Marketing Service</td>
<td>7, I, IX, X, XI</td>
</tr>
<tr>
<td>Agricultural Research Service</td>
<td>7, V</td>
</tr>
<tr>
<td>Animal and Plant Health Inspection Service</td>
<td>7, III; 9, I</td>
</tr>
<tr>
<td>Chief Financial Officer, Office of</td>
<td>7, XXX</td>
</tr>
<tr>
<td>Commodity Credit Corporation</td>
<td>7, XIV</td>
</tr>
<tr>
<td>Economic Research Service</td>
<td>7, XXXVII</td>
</tr>
<tr>
<td>Energy Policy and New Uses, Office of</td>
<td>2, IX; 7, XXIX</td>
</tr>
<tr>
<td>Environmental Quality, Office of</td>
<td>7, XXXI</td>
</tr>
<tr>
<td>Farm Service Agency</td>
<td>7, VII, XVIII</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 4</td>
</tr>
<tr>
<td>Federal Crop Insurance Corporation</td>
<td>7, IV</td>
</tr>
<tr>
<td>Food and Nutrition Service</td>
<td>7, II</td>
</tr>
<tr>
<td>Food Safety and Inspection Service</td>
<td>9, III</td>
</tr>
<tr>
<td>Foreign Agricultural Service</td>
<td>7, XV</td>
</tr>
<tr>
<td>Forest Service</td>
<td>36, II</td>
</tr>
<tr>
<td>Grain Inspection, Packers and Stockyards Administration</td>
<td>7, VIII; 9, II</td>
</tr>
<tr>
<td>Information Resources Management, Office of</td>
<td>7, XXVII</td>
</tr>
<tr>
<td>Inspector General, Office of</td>
<td>7, XXVI</td>
</tr>
<tr>
<td>National Agricultural Library</td>
<td>7, XLII</td>
</tr>
<tr>
<td>National Agricultural Statistics Service</td>
<td>7, XXXV</td>
</tr>
<tr>
<td>National Institute of Food and Agriculture</td>
<td>7, XXXIV</td>
</tr>
<tr>
<td>Natural Resources Conservation Service</td>
<td>7, VI</td>
</tr>
<tr>
<td>Operations, Office of</td>
<td>7, XXVIII</td>
</tr>
<tr>
<td>Procurement and Property Management, Office of</td>
<td>7, XXXII</td>
</tr>
<tr>
<td>Rural Business-Cooperative Service</td>
<td>7, XVII, XLII, L</td>
</tr>
<tr>
<td>Rural Development Administration</td>
<td>7, XLII</td>
</tr>
<tr>
<td>Rural Housing Service</td>
<td>7, XVII, XXXV, L</td>
</tr>
<tr>
<td>Rural Telephone Bank</td>
<td>7, XVI</td>
</tr>
<tr>
<td>Rural Utilities Service</td>
<td>7, XV, XVIII, XLII, L</td>
</tr>
<tr>
<td>Secretary of Agriculture, Office of</td>
<td>7, Subtitle A</td>
</tr>
<tr>
<td>Transportation, Office of</td>
<td>7, XXXIII</td>
</tr>
<tr>
<td>World Agricultural Outlook Board</td>
<td>7, XXXVIII</td>
</tr>
<tr>
<td>Air Force Department</td>
<td>32, VII</td>
</tr>
<tr>
<td>Federal Acquisition Regulation Supplement</td>
<td>48, SV</td>
</tr>
<tr>
<td>Air Transportation Stabilization Board</td>
<td>14, VI</td>
</tr>
<tr>
<td>Alcohol and Tobacco Tax and Trade Bureau</td>
<td>27, I</td>
</tr>
<tr>
<td>Alcohol, Tobacco, Firearms, and Explosives, Bureau of</td>
<td>27, II</td>
</tr>
<tr>
<td>AMTRAK</td>
<td>49, VII</td>
</tr>
<tr>
<td>American Battle Monuments Commission</td>
<td>36, IV</td>
</tr>
<tr>
<td>American Indians, Office of the Special Trustee</td>
<td>25, VII</td>
</tr>
<tr>
<td>Animal and Plant Health Inspection Service</td>
<td>7, III; 9, I</td>
</tr>
<tr>
<td>Appalachian Regional Commission</td>
<td>5, IX</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Architectural and Transportation Barriers Compliance Board</td>
<td>36, XI</td>
</tr>
<tr>
<td>Arctic Research Commission</td>
<td>45, XXIII</td>
</tr>
<tr>
<td>Armed Forces Retirement Home</td>
<td>5, XI</td>
</tr>
<tr>
<td>Army Department</td>
<td>32, V</td>
</tr>
<tr>
<td>Engineers, Corps of</td>
<td>33, II; 36, III</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 51</td>
</tr>
<tr>
<td>Bilingual Education and Minority Languages Affairs, Office of</td>
<td>34, V</td>
</tr>
<tr>
<td>Blind or Severely Disabled, Committee for Purchase From</td>
<td>41, 51</td>
</tr>
<tr>
<td>People Who Are</td>
<td></td>
</tr>
<tr>
<td>Broadcasting Board of Governors</td>
<td>22, V</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 19</td>
</tr>
<tr>
<td>Bureau of Ocean Energy Management, Regulation, and Enforcement</td>
<td>30, II</td>
</tr>
<tr>
<td>Census Bureau</td>
<td>15, I</td>
</tr>
<tr>
<td>Centers for Medicare &amp; Medicaid Services</td>
<td>42, IV</td>
</tr>
<tr>
<td>Central Intelligence Agency</td>
<td>32, XIX</td>
</tr>
<tr>
<td>Chief Financial Officer, Office of</td>
<td>7, XXX</td>
</tr>
<tr>
<td>Child Support Enforcement, Office of</td>
<td>45, III</td>
</tr>
<tr>
<td>Children and Families, Administration for</td>
<td>45, II, III, IV, X</td>
</tr>
<tr>
<td>Civil Rights, Commission on</td>
<td>5, LXVIII; 45, VII</td>
</tr>
<tr>
<td>Civil Rights, Office for</td>
<td>34, I</td>
</tr>
<tr>
<td>Court Services and Offender Supervision Agency for the District of Columbia</td>
<td>5, LXX</td>
</tr>
<tr>
<td>Coast Guard</td>
<td>46, III</td>
</tr>
<tr>
<td>Commerce Department</td>
<td>44, IV; 50, VI</td>
</tr>
<tr>
<td>Census Bureau</td>
<td>15, I</td>
</tr>
<tr>
<td>Economic Affairs, Under Secretary</td>
<td>37, V</td>
</tr>
<tr>
<td>Economic Analysis, Bureau of</td>
<td>15, VII</td>
</tr>
<tr>
<td>Economic Development Administration</td>
<td>13, III</td>
</tr>
<tr>
<td>Emergency Management and Assistance</td>
<td>44, IV</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 13</td>
</tr>
<tr>
<td>Foreign-Trade Zones Board</td>
<td>15, IV</td>
</tr>
<tr>
<td>Industry and Security, Bureau of</td>
<td>15, VII</td>
</tr>
<tr>
<td>International Trade Administration</td>
<td>15, III; 19, III</td>
</tr>
<tr>
<td>National Institute of Standards and Technology</td>
<td>15, II</td>
</tr>
<tr>
<td>National Marine Fisheries Service</td>
<td>50, II, IV</td>
</tr>
<tr>
<td>National Oceanic and Atmospheric Administration</td>
<td>15, IX; 50, II, III, IV, VI</td>
</tr>
<tr>
<td>National Telecommunications and Information</td>
<td>15, XXXIII; 47, III, IV</td>
</tr>
<tr>
<td>National Weather Service</td>
<td>15, IX</td>
</tr>
<tr>
<td>Patent and Trademark Office, United States</td>
<td>37, I</td>
</tr>
<tr>
<td>Productivity, Technology and Innovation, Assistant Secretary for</td>
<td>37, IV</td>
</tr>
<tr>
<td>Secretary for Secretary of Commerce, Office of</td>
<td>15, Subtitle A</td>
</tr>
<tr>
<td>Technology, Under Secretary for</td>
<td>37, V</td>
</tr>
<tr>
<td>Technology Administration</td>
<td>15, XI</td>
</tr>
<tr>
<td>Technology Policy, Assistant Secretary for</td>
<td>37, IV</td>
</tr>
<tr>
<td>Commercial Space Transportation</td>
<td>14, III</td>
</tr>
<tr>
<td>Commodity Credit Corporation</td>
<td>7, XIV</td>
</tr>
<tr>
<td>Commodity Futures Trading Commission</td>
<td>5, XLII; 17, I</td>
</tr>
<tr>
<td>Community Planning and Development, Office of Assistant Secretary for</td>
<td>24, V, VI</td>
</tr>
<tr>
<td>Community Services, Office of</td>
<td>45, X</td>
</tr>
<tr>
<td>Comptroller of the Currency</td>
<td>12, I</td>
</tr>
<tr>
<td>Construction Industry Collective Bargaining Commission</td>
<td>29, IX</td>
</tr>
<tr>
<td>Consumer Financial Protection Bureau</td>
<td>12, X</td>
</tr>
<tr>
<td>Consumer Product Safety Commission</td>
<td>5, LXXI; 16, II</td>
</tr>
<tr>
<td>Copyright Office</td>
<td>37, II</td>
</tr>
<tr>
<td>Copyright Royalty Board</td>
<td>37, III</td>
</tr>
<tr>
<td>Corporation for National and Community Service</td>
<td>2, XXII; 45, XII, XXV</td>
</tr>
<tr>
<td>Cost Accounting Standards Board</td>
<td>48, 99</td>
</tr>
<tr>
<td>Council on Environmental Quality</td>
<td>40, V</td>
</tr>
<tr>
<td>Court Services and Offender Supervision Agency for the District of Columbia</td>
<td>28, VIII</td>
</tr>
<tr>
<td>Customs and Border Protection</td>
<td>19, I</td>
</tr>
<tr>
<td>Defense Contract Audit Agency</td>
<td>32, I</td>
</tr>
</tbody>
</table>

610
<table>
<thead>
<tr>
<th>Agency</th>
<th>CFR Title, Subtitle or Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense Department</td>
<td></td>
</tr>
<tr>
<td>Advanced Research Projects Agency</td>
<td>5, XXVI; 32, Subtitle A;</td>
</tr>
<tr>
<td>Air Force Department</td>
<td>40, VII</td>
</tr>
<tr>
<td>Army Department</td>
<td>32, I</td>
</tr>
<tr>
<td>Defense Acquisition Regulations System</td>
<td>32, VII</td>
</tr>
<tr>
<td>Defense Logistics Agency</td>
<td>32, V; 33, II; 36, III; 48,</td>
</tr>
<tr>
<td>Defense Intelligence Agency</td>
<td>51</td>
</tr>
<tr>
<td>Defense Intelligence Agency</td>
<td>32, I</td>
</tr>
<tr>
<td>Engineers, Corps of</td>
<td>32, XII; 48, 54</td>
</tr>
<tr>
<td>Human Resources Management and Labor Relations Systems</td>
<td>33, II; 36, III</td>
</tr>
<tr>
<td>National Imagery and Mapping Agency</td>
<td></td>
</tr>
<tr>
<td>Navy Department</td>
<td>32, I</td>
</tr>
<tr>
<td>Secretary of Defense, Office of</td>
<td>2, XI; 32, I</td>
</tr>
<tr>
<td>Defense Contract Audit Agency</td>
<td>32, I</td>
</tr>
<tr>
<td>Defense Intelligence Agency</td>
<td>32, I</td>
</tr>
<tr>
<td>Defense Logistics Agency</td>
<td>32, XII; 48, 54</td>
</tr>
<tr>
<td>Defense Nuclear Facilities Safety Board</td>
<td>10, XVII</td>
</tr>
<tr>
<td>Delaware River Basin Commission</td>
<td>18, I</td>
</tr>
<tr>
<td>District of Columbia, Court Services and Offender Supervision</td>
<td>28, VIII</td>
</tr>
<tr>
<td>Drug Enforcement Administration</td>
<td>21, II</td>
</tr>
<tr>
<td>East-West Foreign Trade Board</td>
<td>15, XIII</td>
</tr>
<tr>
<td>Economic Affairs, Under Secretary</td>
<td>37, V</td>
</tr>
<tr>
<td>Economic Analysis, Bureau of</td>
<td>15, VIII</td>
</tr>
<tr>
<td>Economic Development Administration</td>
<td>13, III</td>
</tr>
<tr>
<td>Economic Research Service</td>
<td>7, XXXVII</td>
</tr>
<tr>
<td>Education, Department of</td>
<td>5, LIII</td>
</tr>
<tr>
<td>Bilingual Education and Minority Languages Affairs, Office of</td>
<td>34, V</td>
</tr>
<tr>
<td>Civil Rights, Office for</td>
<td>34, I</td>
</tr>
<tr>
<td>Educational Research and Improvement, Office of</td>
<td>34, VII</td>
</tr>
<tr>
<td>Elementary and Secondary Education, Office of</td>
<td>34, II</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>34, IV</td>
</tr>
<tr>
<td>Postsecondary Education, Office of</td>
<td>34, VI</td>
</tr>
<tr>
<td>Secretary of Education, Office of</td>
<td>34, Subtitle A</td>
</tr>
<tr>
<td>Special Education and Rehabilitative Services, Office of</td>
<td>34, III</td>
</tr>
<tr>
<td>Vocational and Adult Education, Office of</td>
<td>34, IV</td>
</tr>
<tr>
<td>Educational Research and Improvement, Office of</td>
<td>34, VII</td>
</tr>
<tr>
<td>Election Assistance Commission</td>
<td>15, XIII</td>
</tr>
<tr>
<td>Elementary and Secondary Education, Office of</td>
<td>34, II</td>
</tr>
<tr>
<td>Emergency Oil and Gas Guaranteed Loan Board</td>
<td>13, V</td>
</tr>
<tr>
<td>Emergency Steel Guarantee Loan Board</td>
<td>13, IV</td>
</tr>
<tr>
<td>Employee Benefits Security Administration</td>
<td>29, XXV</td>
</tr>
<tr>
<td>Employees’ Compensation Appeals Board</td>
<td>20, IV</td>
</tr>
<tr>
<td>Employees Loyalty Board</td>
<td>5, V</td>
</tr>
<tr>
<td>Employment and Training Administration</td>
<td>20, V</td>
</tr>
<tr>
<td>Employment Standards Administration</td>
<td>20, VI</td>
</tr>
<tr>
<td>Endangered Species Committee</td>
<td>50, IV</td>
</tr>
<tr>
<td>Energy, Department of</td>
<td>5, XXXII; 10, II, III, X</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 9</td>
</tr>
<tr>
<td>Federal Energy Regulatory Commission</td>
<td>5, XXIV; 18, I</td>
</tr>
<tr>
<td>Property Management Regulations</td>
<td>41, 109</td>
</tr>
<tr>
<td>Energy, Office of</td>
<td>7, XXXIX</td>
</tr>
<tr>
<td>Engineers, Corps of</td>
<td>33, II; 36, III</td>
</tr>
<tr>
<td>Engraving and Printing, Bureau of</td>
<td>31, VI</td>
</tr>
<tr>
<td>Environmental Protection Agency</td>
<td>2, XV; 5, LIV; 40, I, IV,</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 15</td>
</tr>
<tr>
<td>Property Management Regulations</td>
<td>41, 115</td>
</tr>
<tr>
<td>Environmental Quality, Office of</td>
<td>7, XXXI</td>
</tr>
<tr>
<td>Equal Employment Opportunity Commission</td>
<td>5, LXII; 29, XIV</td>
</tr>
<tr>
<td>Equal Opportunity, Office of Assistant Secretary for</td>
<td>24, I</td>
</tr>
<tr>
<td>Executive Office of the President</td>
<td>3, 1</td>
</tr>
<tr>
<td>Administration, Office of</td>
<td>5, XV</td>
</tr>
<tr>
<td>Environmental Quality, Council on</td>
<td>40, V</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>611</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Management and Budget, Office of</td>
<td>5, III, LXXVII; 14, VI; 48, 99</td>
</tr>
<tr>
<td>National Drug Control Policy, Office of</td>
<td>21, III; 32, XXI; 47, 2</td>
</tr>
<tr>
<td>National Security Council</td>
<td>3</td>
</tr>
<tr>
<td>Presidential Documents</td>
<td>32, XXIV; 47, II</td>
</tr>
<tr>
<td>Science and Technology Policy, Office of United States</td>
<td>15, XX; 2, XXXV; 5, LII; 12, IV</td>
</tr>
<tr>
<td>Export-Import Bank of the United States</td>
<td>45, II</td>
</tr>
<tr>
<td>Family Assistance, Office of</td>
<td>5, XXXI; 12, VI</td>
</tr>
<tr>
<td>Farm Credit Administration</td>
<td>5, XXX; 12, XIV</td>
</tr>
<tr>
<td>Farm Credit System Insurance Corporation</td>
<td>7, VIII, XVIII</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 1</td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td>14, I</td>
</tr>
<tr>
<td>Commercial Space Transportation</td>
<td>14, III</td>
</tr>
<tr>
<td>Federal Claims Collection Standards</td>
<td>31, IX</td>
</tr>
<tr>
<td>Federal Communications Commission</td>
<td>5, XXIX; 47, I</td>
</tr>
<tr>
<td>Federal Contract Compliance Programs, Office of</td>
<td>41, 60</td>
</tr>
<tr>
<td>Federal Crop Insurance Corporation</td>
<td>7, IV</td>
</tr>
<tr>
<td>Federal Deposit Insurance Corporation</td>
<td>5, XXXII; 12, III</td>
</tr>
<tr>
<td>Federal Election Commission</td>
<td>11, I</td>
</tr>
<tr>
<td>Federal Emergency Management Agency</td>
<td>44, I</td>
</tr>
<tr>
<td>Federal Employees Group Life Insurance</td>
<td>48, 21</td>
</tr>
<tr>
<td>Federal Employees Health Benefits Acquisition Regulation</td>
<td>48, 16</td>
</tr>
<tr>
<td>Federal Energy Regulatory Commission</td>
<td>5, XXIV; 18, I</td>
</tr>
<tr>
<td>Federal Financial Institutions Examination Council</td>
<td>5, XI</td>
</tr>
<tr>
<td>Federal Financing Bank</td>
<td>12, VIII</td>
</tr>
<tr>
<td>Federal Highway Administration</td>
<td>23, I, II</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>1, IV</td>
</tr>
<tr>
<td>Federal Housing Enterprise Oversight Office</td>
<td>12, XVII</td>
</tr>
<tr>
<td>Federal Housing Finance Agency</td>
<td>5, LXXX; 12, XII</td>
</tr>
<tr>
<td>Federal Housing Finance Board</td>
<td>12, IX</td>
</tr>
<tr>
<td>Federal Labor Relations Authority</td>
<td>5, XIV; XLIX; 22, XIV</td>
</tr>
<tr>
<td>Federal Law Enforcement Training Center</td>
<td>31, VII</td>
</tr>
<tr>
<td>Federal Management Regulation</td>
<td>41, 102</td>
</tr>
<tr>
<td>Federal Maritime Commission</td>
<td>46, IV</td>
</tr>
<tr>
<td>Federal Mediation and Conciliation Service</td>
<td>29, XII</td>
</tr>
<tr>
<td>Federal Mine Safety and Health Review Commission</td>
<td>5, LXXXIV; 29, XXVII</td>
</tr>
<tr>
<td>Federal Motor Carrier Safety Administration</td>
<td>49, III</td>
</tr>
<tr>
<td>Federal Prison Industries, Inc.</td>
<td>28, III</td>
</tr>
<tr>
<td>Federal Procurement Policy Office</td>
<td>48, 99</td>
</tr>
<tr>
<td>Federal Property Management Regulations</td>
<td>41, 103</td>
</tr>
<tr>
<td>Federal Railroad Administration</td>
<td>49, II</td>
</tr>
<tr>
<td>Federal Register, Administrative Committee of</td>
<td>1, I</td>
</tr>
<tr>
<td>Federal Register, Office of</td>
<td>1, II</td>
</tr>
<tr>
<td>Federal Reserve System</td>
<td>12, II</td>
</tr>
<tr>
<td>Board of Governors</td>
<td>5, LVIII</td>
</tr>
<tr>
<td>Federal Retirement Thrift Investment Board</td>
<td>5, VI, LXXVI</td>
</tr>
<tr>
<td>Federal Service Impasses Panel</td>
<td>5, XIV</td>
</tr>
<tr>
<td>Federal Trade Commission</td>
<td>5, XLVII; 16, I</td>
</tr>
<tr>
<td>Federal Transit Administration</td>
<td>49, VI</td>
</tr>
<tr>
<td>Federal Travel Regulation System</td>
<td>41, Subtitle F</td>
</tr>
<tr>
<td>Financial Crimes Enforcement Network</td>
<td>31, X</td>
</tr>
<tr>
<td>Financial Research Office</td>
<td>12, XVI</td>
</tr>
<tr>
<td>Financial Stability Oversight Council</td>
<td>12, XIII</td>
</tr>
<tr>
<td>Fine Arts, Commission on</td>
<td>45, XXI</td>
</tr>
<tr>
<td>Fiscal Service</td>
<td>31, II</td>
</tr>
<tr>
<td>Fish and Wildlife Service, United States</td>
<td>50, I, IV</td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>21, I</td>
</tr>
<tr>
<td>Food and Nutrition Service</td>
<td>2, III</td>
</tr>
<tr>
<td>Food Safety and Inspection Service</td>
<td>9, III</td>
</tr>
<tr>
<td>Foreign Agricultural Service</td>
<td>7, XV</td>
</tr>
<tr>
<td>Foreign Assets Control, Office of</td>
<td>31, V</td>
</tr>
<tr>
<td>Foreign Claims Settlement Commission of the United States</td>
<td>45, V</td>
</tr>
<tr>
<td>Foreign Service Grievance Board</td>
<td>22, IX</td>
</tr>
<tr>
<td>Foreign Service Impasses Disputes Panel</td>
<td>22, XIV</td>
</tr>
</tbody>
</table>

612
<table>
<thead>
<tr>
<th>Agency</th>
<th>CFR Title, Subtitle or Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Service Labor Relations Board</td>
<td>22, XIV</td>
</tr>
<tr>
<td>Foreign-Trade Zones Board</td>
<td>15, IV</td>
</tr>
<tr>
<td>Forest Service</td>
<td>36, II</td>
</tr>
<tr>
<td>General Services Administration</td>
<td>5, LVII; 41, 105</td>
</tr>
<tr>
<td>Contract Appeals, Board of</td>
<td>48, 61</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 5</td>
</tr>
<tr>
<td>Federal Management Regulation</td>
<td>41, 102</td>
</tr>
<tr>
<td>Federal Property Management Regulations</td>
<td>41, 101</td>
</tr>
<tr>
<td>Federal Travel Regulation System</td>
<td>41, Subtitle F</td>
</tr>
<tr>
<td>General</td>
<td>41, 300</td>
</tr>
<tr>
<td>Payment From a Non-Federal Source for Travel Expenses</td>
<td>41, 304</td>
</tr>
<tr>
<td>Payment of Expenses Connected With the Death of Certain Employees</td>
<td>41, 303</td>
</tr>
<tr>
<td>Relocation Allowances</td>
<td>41, 302</td>
</tr>
<tr>
<td>Temporary Duty (TDY) Travel Allowances</td>
<td>41, 301</td>
</tr>
<tr>
<td>Geological Survey</td>
<td>30, IV</td>
</tr>
<tr>
<td>Government Accountability Office</td>
<td>4, I</td>
</tr>
<tr>
<td>Government Ethics, Office of</td>
<td>5, XVI</td>
</tr>
<tr>
<td>Government National Mortgage Association</td>
<td>24, III</td>
</tr>
<tr>
<td>Grain Inspection, Packers and Stockyards Administration</td>
<td>7, VIII; 9, II</td>
</tr>
<tr>
<td>Harry S. Truman Scholarship Foundation</td>
<td>45, XVIII</td>
</tr>
<tr>
<td>Health and Human Services, Department of</td>
<td>2, III; 5, XLV; 45, Subtitle A,</td>
</tr>
<tr>
<td>Centers for Medicare &amp; Medicaid Services</td>
<td>42, IV</td>
</tr>
<tr>
<td>Child Support Enforcement, Office of</td>
<td>45, III</td>
</tr>
<tr>
<td>Children and Families, Administration for</td>
<td>45, II, III, IV, X</td>
</tr>
<tr>
<td>Community Services, Office of</td>
<td>45, X</td>
</tr>
<tr>
<td>Family Assistance, Office of</td>
<td>45, II</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 3</td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>21, I</td>
</tr>
<tr>
<td>Human Development Services, Office of</td>
<td>45, XIII</td>
</tr>
<tr>
<td>Indian Health Service</td>
<td>25, V</td>
</tr>
<tr>
<td>Inspector General (Health Care), Office of</td>
<td>42, V</td>
</tr>
<tr>
<td>Public Health Service</td>
<td>42, I</td>
</tr>
<tr>
<td>Refugee Resettlement, Office of</td>
<td>45, IV</td>
</tr>
<tr>
<td>Homeland Security, Department of</td>
<td>2, XXX; 6, I</td>
</tr>
<tr>
<td>Coast Guard</td>
<td>33, I; 46, I; 49, IV</td>
</tr>
<tr>
<td>Coast Guard (Great Lakes Pilotage)</td>
<td>46, III</td>
</tr>
<tr>
<td>Customs and Border Protection</td>
<td>19, I</td>
</tr>
<tr>
<td>Federal Emergency Management Agency</td>
<td>44, I</td>
</tr>
<tr>
<td>Human Resources Management and Labor Relations Systems</td>
<td>5, XCVII</td>
</tr>
<tr>
<td>Immigration and Customs Enforcement Bureau</td>
<td>19, IV</td>
</tr>
<tr>
<td>Immigration and Naturalization</td>
<td>8, I</td>
</tr>
<tr>
<td>Transportation Security Administration</td>
<td>49, XII</td>
</tr>
<tr>
<td>HOPE for Homeowners Program, Board of Directors of</td>
<td>24, XXIV</td>
</tr>
<tr>
<td>Housing and Urban Development, Department of</td>
<td>2, XXIV; 5, LXV; 24, Subtitle B</td>
</tr>
<tr>
<td>Community Planning and Development, Office of Assistant Secretary for</td>
<td>24, V, VI</td>
</tr>
<tr>
<td>Equal Opportunity, Office of Assistant Secretary for</td>
<td>24, I</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 24</td>
</tr>
<tr>
<td>Federal Housing Enterprise Oversight, Office of</td>
<td>12, XVII</td>
</tr>
<tr>
<td>Government National Mortgage Association</td>
<td>24, III</td>
</tr>
<tr>
<td>Housing—Federal Housing Commissioner, Office of Assistant Secretary for</td>
<td>24, II, VIII, X, XX</td>
</tr>
<tr>
<td>Housing, Office of, and Multifamily Housing Assistance</td>
<td>24, IV</td>
</tr>
<tr>
<td>Restructuring, Office of</td>
<td>24, XII</td>
</tr>
<tr>
<td>Inspector General, Office of</td>
<td>24, XII</td>
</tr>
<tr>
<td>Public and Indian Housing, Office of Assistant Secretary for</td>
<td>24, IX</td>
</tr>
<tr>
<td>Secretary, Office of</td>
<td>24, Subtitle A, VII</td>
</tr>
<tr>
<td>Housing—Federal Housing Commissioner, Office of Assistant Secretary for</td>
<td>24, II, VIII, X, XX</td>
</tr>
<tr>
<td>Housing, Office of, and Multifamily Housing Assistance</td>
<td>24, IV</td>
</tr>
<tr>
<td>Restructuring, Office of</td>
<td>24, IV</td>
</tr>
<tr>
<td>Human Development Services, Office of</td>
<td>45, XIII</td>
</tr>
<tr>
<td>Immigration and Customs Enforcement Bureau</td>
<td>19, IV</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Immigration and Naturalization</td>
<td>8, I</td>
</tr>
<tr>
<td>Immigration Review, Executive Office for</td>
<td>8, V</td>
</tr>
<tr>
<td>Independent Counsel, Office of</td>
<td>28, VII</td>
</tr>
<tr>
<td>Indian Affairs, Bureau of</td>
<td>25, I, V</td>
</tr>
<tr>
<td>Indian Affairs, Office of the Assistant Secretary</td>
<td>25, VI</td>
</tr>
<tr>
<td>Indian Arts and Crafts Board</td>
<td>25, II</td>
</tr>
<tr>
<td>Indian Health Service</td>
<td>25, V</td>
</tr>
<tr>
<td>Industry and Security, Bureau of</td>
<td>15, VII</td>
</tr>
<tr>
<td>Information Resources Management, Office of</td>
<td>7, XXVII</td>
</tr>
<tr>
<td>Information Security Oversight Office, National Archives and Records Administration</td>
<td>32, XX</td>
</tr>
<tr>
<td>Inspector General</td>
<td></td>
</tr>
<tr>
<td>Agriculture Department</td>
<td>7, XXVI</td>
</tr>
<tr>
<td>Health and Human Services Department</td>
<td>42, V</td>
</tr>
<tr>
<td>Housing and Urban Development Department</td>
<td>24, XII</td>
</tr>
<tr>
<td>Institute of Peace, United States</td>
<td>22, XVII</td>
</tr>
<tr>
<td>Inter-American Foundation</td>
<td>5, LXIII; 22, X</td>
</tr>
<tr>
<td>Interior Department</td>
<td></td>
</tr>
<tr>
<td>American Indians, Office of the Special Trustee</td>
<td>25, VII</td>
</tr>
<tr>
<td>Bureau of Ocean Energy Management, Regulation, and Enforcement</td>
<td>30, II</td>
</tr>
<tr>
<td>Endangered Species Committee</td>
<td>50, IV</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 14</td>
</tr>
<tr>
<td>Federal Property Management Regulations System</td>
<td>41, 114</td>
</tr>
<tr>
<td>Fish and Wildlife Service, United States</td>
<td>50, I, IV</td>
</tr>
<tr>
<td>Geological Survey</td>
<td>30, IV</td>
</tr>
<tr>
<td>Indian Affairs, Bureau of</td>
<td>25, I, V</td>
</tr>
<tr>
<td>Indian Affairs, Office of the Assistant Secretary</td>
<td>25, VI</td>
</tr>
<tr>
<td>Indian Arts and Crafts Board</td>
<td>25, II</td>
</tr>
<tr>
<td>Land Management, Bureau of</td>
<td>43, II</td>
</tr>
<tr>
<td>National Indian Gaming Commission</td>
<td>25, III</td>
</tr>
<tr>
<td>National Park Service</td>
<td>36, I</td>
</tr>
<tr>
<td>Natural Resource Revenue, Office of</td>
<td>30, XII</td>
</tr>
<tr>
<td>Reclamation, Bureau of</td>
<td>43, I</td>
</tr>
<tr>
<td>Secretary of the Interior, Office of</td>
<td>2, XIV; 43, Subtitle A</td>
</tr>
<tr>
<td>Surface Mining Reclamation and Enforcement, Office of</td>
<td>30, VII</td>
</tr>
<tr>
<td>Internal Revenue Service</td>
<td>26, I</td>
</tr>
<tr>
<td>International Boundary and Water Commission, United States and Mexico, United States Section</td>
<td>22, XI</td>
</tr>
<tr>
<td>International Development, United States Agency for</td>
<td>22, II</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 7</td>
</tr>
<tr>
<td>International Development Cooperation Agency, United States</td>
<td>22, XII</td>
</tr>
<tr>
<td>States</td>
<td></td>
</tr>
<tr>
<td>International Joint Commission, United States and Canada</td>
<td>22, IV</td>
</tr>
<tr>
<td>International Organizations Employees Loyalty Board</td>
<td>5, V</td>
</tr>
<tr>
<td>International Trade Administration</td>
<td>15, III; 19, III</td>
</tr>
<tr>
<td>International Trade Commission, United States</td>
<td>19, II</td>
</tr>
<tr>
<td>Interstate Commerce Commission</td>
<td>5, XL</td>
</tr>
<tr>
<td>Investment Security, Office of</td>
<td>31, VIII</td>
</tr>
<tr>
<td>James Madison Memorial Fellowship Foundation</td>
<td>45, XXIV</td>
</tr>
<tr>
<td>Japan–United States Friendship Commission</td>
<td>22, XVI</td>
</tr>
<tr>
<td>Joint Board for the Enrollment of Actuaries</td>
<td>20, VIII</td>
</tr>
<tr>
<td>Justice Department</td>
<td>2, XXVII; 5, XXVIII; 28, I, XI; 40, 14</td>
</tr>
<tr>
<td>Alcohol, Tobacco, Firearms, and Explosives, Bureau of</td>
<td>27, II</td>
</tr>
<tr>
<td>Drug Enforcement Administration</td>
<td>21, II</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 28</td>
</tr>
<tr>
<td>Federal Claims Collection Standards</td>
<td>31, IX</td>
</tr>
<tr>
<td>Federal Prison Industries, Inc.</td>
<td>29, III</td>
</tr>
<tr>
<td>Foreign Claims Settlement Commission of the United States</td>
<td>45, V</td>
</tr>
<tr>
<td>Immigration Review, Executive Office for</td>
<td>8, V</td>
</tr>
<tr>
<td>Offices of Independent Counsel</td>
<td>28, VI</td>
</tr>
<tr>
<td>Prisons, Bureau of</td>
<td>28, V</td>
</tr>
<tr>
<td>Property Management Regulations</td>
<td>41, 128</td>
</tr>
<tr>
<td>Labor Department</td>
<td>5, XLII</td>
</tr>
<tr>
<td>Employee Benefits Security Administration</td>
<td>29, XXV</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Employees' Compensation Appeals Board</td>
<td>20, IV</td>
</tr>
<tr>
<td>Employment and Training Administration</td>
<td>20, V</td>
</tr>
<tr>
<td>Employment Standards Administration</td>
<td>20, VI</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 29</td>
</tr>
<tr>
<td>Federal Contract Compliance Programs, Office of</td>
<td>41, 60</td>
</tr>
<tr>
<td>Federal Procurement Regulations System</td>
<td>41, 50</td>
</tr>
<tr>
<td>Labor-Management Standards, Office of</td>
<td>29, II, IV</td>
</tr>
<tr>
<td>Mine Safety and Health Administration</td>
<td>30, I</td>
</tr>
<tr>
<td>Occupational Safety and Health Administration</td>
<td>29, XVII</td>
</tr>
<tr>
<td>Office of Workers’ Compensation Programs</td>
<td>20, VII</td>
</tr>
<tr>
<td>Public Contracts</td>
<td>41, 50</td>
</tr>
<tr>
<td>Secretary of Labor, Office of</td>
<td>29, Subtitle A</td>
</tr>
<tr>
<td>Veterans’ Employment and Training Service, Office of the Assistant Secretary for</td>
<td>41, 61; 20, IX</td>
</tr>
<tr>
<td>Wage and Hour Division</td>
<td>29, V</td>
</tr>
<tr>
<td>Workers’ Compensation Programs, Office of</td>
<td>20, I</td>
</tr>
<tr>
<td>Labor-Management Standards, Office of</td>
<td>29, II, IV</td>
</tr>
<tr>
<td>Land Management, Bureau of</td>
<td>43, II</td>
</tr>
<tr>
<td>Legal Services Corporation</td>
<td>45, XVI</td>
</tr>
<tr>
<td>Library of Congress</td>
<td>36, VII</td>
</tr>
<tr>
<td>Copyright Office</td>
<td>37, II</td>
</tr>
<tr>
<td>Copyright Royalty Board</td>
<td>37, III</td>
</tr>
<tr>
<td>Local Television Loan Guarantee Board</td>
<td>7, XX</td>
</tr>
<tr>
<td>Management and Budget, Office of</td>
<td>5, III, LXXVII; 14, VI; 48, 99</td>
</tr>
<tr>
<td>Marine Mammal Commission</td>
<td>50, V</td>
</tr>
<tr>
<td>Maritime Administration</td>
<td>46, II</td>
</tr>
<tr>
<td>Merit Systems Protection Board</td>
<td>5, II, LXIV</td>
</tr>
<tr>
<td>Micronesian Status Negotiations, Office for</td>
<td>32, XXVII</td>
</tr>
<tr>
<td>Millennium Challenge Corporation</td>
<td>22, XIII</td>
</tr>
<tr>
<td>Mine Safety and Health Administration</td>
<td>30, I</td>
</tr>
<tr>
<td>Minority Business Development Agency</td>
<td>15, XIV</td>
</tr>
<tr>
<td>Miscellaneous Agencies</td>
<td>1, IV</td>
</tr>
<tr>
<td>Monetary Office</td>
<td>31, I</td>
</tr>
<tr>
<td>Morris K. Udall Scholarship and Excellence in National</td>
<td>36, XVI</td>
</tr>
<tr>
<td>Environmental Policy Foundation</td>
<td></td>
</tr>
<tr>
<td>Museum and Library Services, Institute of</td>
<td>2, XXXI</td>
</tr>
<tr>
<td>National Aeronautics and Space Administration</td>
<td>2, XVIII; 5, LIX; 14, V</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 18</td>
</tr>
<tr>
<td>National Agricultural Library</td>
<td>7, XLII</td>
</tr>
<tr>
<td>National Agricultural Statistics Service</td>
<td>7, XXXVI</td>
</tr>
<tr>
<td>National and Community Service, Corporation for</td>
<td>45, XII, XXV</td>
</tr>
<tr>
<td>National Archives and Records Administration</td>
<td>2, XXVI; 5, LXVI; 36, XII</td>
</tr>
<tr>
<td>Information Security Oversight Office</td>
<td>32, XX</td>
</tr>
<tr>
<td>National Capital Planning Commission</td>
<td>1, IV</td>
</tr>
<tr>
<td>National Commission for Employment Policy</td>
<td>1, IV</td>
</tr>
<tr>
<td>National Commission on Libraries and Information Science</td>
<td>45, XVII</td>
</tr>
<tr>
<td>National Council on Disability</td>
<td>34, XII</td>
</tr>
<tr>
<td>National Counterintelligence Center</td>
<td>32, XVIII</td>
</tr>
<tr>
<td>National Credit Union Administration</td>
<td>12, VII</td>
</tr>
<tr>
<td>National Crime Prevention and Privacy Compact Council</td>
<td>28, IX</td>
</tr>
<tr>
<td>National Drug Control Policy, Office of</td>
<td>21, III</td>
</tr>
<tr>
<td>National Endowment for the Arts</td>
<td>2, XXXII</td>
</tr>
<tr>
<td>National Endowment for the Humanities</td>
<td>2, XXXIII</td>
</tr>
<tr>
<td>National Foundation on the Arts and the Humanities</td>
<td>45, XI</td>
</tr>
<tr>
<td>National Highway Traffic Safety Administration</td>
<td>23, II, III; 47, VI; 49, V</td>
</tr>
<tr>
<td>National Imagery and Mapping Agency</td>
<td>32, I</td>
</tr>
<tr>
<td>National Indian Gaming Commission</td>
<td>25, III</td>
</tr>
<tr>
<td>National Institute for Literacy</td>
<td>34, XI</td>
</tr>
<tr>
<td>National Institute of Food and Agriculture.</td>
<td>7, XXXIV</td>
</tr>
<tr>
<td>National Institute of Standards and Technology</td>
<td>15, II</td>
</tr>
<tr>
<td>National Intelligence, Office of Director of</td>
<td>32, XVII</td>
</tr>
<tr>
<td>National Labor Relations Board</td>
<td>5, LXI; 29, I</td>
</tr>
<tr>
<td>National Marine Fisheries Service</td>
<td>50, II, IV</td>
</tr>
<tr>
<td>National Mediation Board</td>
<td>29, X</td>
</tr>
<tr>
<td>National Oceanic and Atmospheric Administration</td>
<td>15, IX; 50, II, III, IV, VI</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>National Park Service</td>
<td>36, I</td>
</tr>
<tr>
<td>National Railroad Adjustment Board</td>
<td>29, III</td>
</tr>
<tr>
<td>National Railroad Passenger Corporation (AMTRAK)</td>
<td>49, VII</td>
</tr>
<tr>
<td>National Science Foundation</td>
<td>2, XXV; 5, XLIII; 45, VI</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 25</td>
</tr>
<tr>
<td>National Security Council</td>
<td>32, XXI</td>
</tr>
<tr>
<td>National Security Council and Office of Science and Technology Policy</td>
<td>47, II</td>
</tr>
<tr>
<td>National Telecommunications and Information Administration</td>
<td>15, XXIII; 47, III, IV</td>
</tr>
<tr>
<td>National Transportation Safety Board</td>
<td>49, VIII</td>
</tr>
<tr>
<td>Natural Resources Conservation Service</td>
<td>7, VI</td>
</tr>
<tr>
<td>Natural Resource Revenue, Office of</td>
<td>30, XII</td>
</tr>
<tr>
<td>Navajo and Hopi Indian Relocation, Office of</td>
<td>25, IV</td>
</tr>
<tr>
<td>Navy Department</td>
<td>32, VI</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 52</td>
</tr>
<tr>
<td>Neighborhood Reinvestment Corporation</td>
<td>24, XXV</td>
</tr>
<tr>
<td>Northeast Interstate Low-Level Radioactive Waste Commission</td>
<td>10, XVIII</td>
</tr>
<tr>
<td>Nuclear Regulatory Commission</td>
<td>2, XX; 5, XLVIII; 10, I</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 20</td>
</tr>
<tr>
<td>Occupational Safety and Health Administration</td>
<td>29, XVII</td>
</tr>
<tr>
<td>Occupational Safety and Health Review Commission</td>
<td>29, XX</td>
</tr>
<tr>
<td>Offices of Independent Counsel</td>
<td>28, VI</td>
</tr>
<tr>
<td>Office of Workers’ Compensation Programs</td>
<td>20, VII</td>
</tr>
<tr>
<td>Oklahoma City National Memorial Trust</td>
<td>36, XV</td>
</tr>
<tr>
<td>Operations Office</td>
<td>7, XXXVII</td>
</tr>
<tr>
<td>Overseas Private Investment Corporation</td>
<td>5, XXXIII; 22, VII</td>
</tr>
<tr>
<td>Patent and Trademark Office, United States</td>
<td>37, I</td>
</tr>
<tr>
<td>Payment From a Non-Federal Source for Travel Expenses</td>
<td>41, 304</td>
</tr>
<tr>
<td>Payment of Expenses Connected With the Death of Certain</td>
<td>41, 303</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
</tr>
<tr>
<td>Peace Corps</td>
<td>22, III</td>
</tr>
<tr>
<td>Pennsylvania Avenue Development Corporation</td>
<td>36, IX</td>
</tr>
<tr>
<td>Pension Benefit Guaranty Corporation</td>
<td>29, XL</td>
</tr>
<tr>
<td>Personnel Management, Office of</td>
<td>5, 1, XXXV; 45, VIII</td>
</tr>
<tr>
<td>Human Resources Management and Labor Relations Systems, Department of Defense</td>
<td>5, XCIX</td>
</tr>
<tr>
<td>Human Resources Management and Labor Relations Systems, Department of Homeland Security</td>
<td>5, XCVII</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 17</td>
</tr>
<tr>
<td>Federal Employees Group Life Insurance Federal Acquisition Regulation</td>
<td>48, 21</td>
</tr>
<tr>
<td>Federal Employees Health Benefits Acquisition Regulation</td>
<td>48, 16</td>
</tr>
<tr>
<td>Pipeline and Hazardous Materials Safety Administration</td>
<td>49, I</td>
</tr>
<tr>
<td>Postal Regulatory Commission</td>
<td>5, XLVI; 39, III</td>
</tr>
<tr>
<td>Postal Service, United States</td>
<td>5, LX; 36, 1</td>
</tr>
<tr>
<td>Postsecondary Education, Office of</td>
<td>34, VI</td>
</tr>
<tr>
<td>President’s Commission on White House Fellowships</td>
<td>1, IV</td>
</tr>
<tr>
<td>Presidential Documents</td>
<td>3</td>
</tr>
<tr>
<td>Presidio Trust</td>
<td>36, X</td>
</tr>
<tr>
<td>Prisons, Bureau of</td>
<td>28, V</td>
</tr>
<tr>
<td>Procurement and Property Management, Office of</td>
<td>7, XXXII</td>
</tr>
<tr>
<td>Productivity, Technology and Innovation, Assistant Secretary</td>
<td>37, IV</td>
</tr>
<tr>
<td>Secretary</td>
<td></td>
</tr>
<tr>
<td>Public Contracts, Department of Labor</td>
<td>41, 50</td>
</tr>
<tr>
<td>Public and Indian Housing, Office of Assistant Secretary for</td>
<td>24, IX</td>
</tr>
<tr>
<td>Public Health Service</td>
<td>42, I</td>
</tr>
<tr>
<td>Railroad Retirement Board</td>
<td>20, II</td>
</tr>
<tr>
<td>Reclamation, Bureau of</td>
<td>43, I</td>
</tr>
<tr>
<td>Recovery Accountability and Transparency Board</td>
<td>4, II</td>
</tr>
<tr>
<td>Refugee Resettlement, Office of</td>
<td>45, IV</td>
</tr>
<tr>
<td>Relocation Allowances</td>
<td>41, 302</td>
</tr>
<tr>
<td>Research and Innovative Technology Administration</td>
<td>49, XI</td>
</tr>
<tr>
<td>Rural Business-Cooperative Service</td>
<td>7, XVIII, XLII, L</td>
</tr>
<tr>
<td>Rural Development Administration</td>
<td>7, XLII</td>
</tr>
<tr>
<td>Rural Housing Service</td>
<td>7, XVIII, XXXV, L</td>
</tr>
</tbody>
</table>

616
<table>
<thead>
<tr>
<th>Agency</th>
<th>CFR Title, Subtitle or Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Telephone Bank</td>
<td>7, XVI</td>
</tr>
<tr>
<td>Rural Utilities Service</td>
<td>7, XVII, XVIII, XLII, L</td>
</tr>
<tr>
<td>Saint Lawrence Seaway Development Corporation</td>
<td>33, IV</td>
</tr>
<tr>
<td>Science and Technology Policy, Office of</td>
<td>32, XXIV</td>
</tr>
<tr>
<td>Science and Technology Policy, Office of, and National Security Council</td>
<td>47, II</td>
</tr>
<tr>
<td>Secret Service</td>
<td>31, IV</td>
</tr>
<tr>
<td>Securities and Exchange Commission</td>
<td>5, XXXIV; 17, II</td>
</tr>
<tr>
<td>Selective Service System</td>
<td>32, XVI</td>
</tr>
<tr>
<td>Small Business Administration</td>
<td>2, XXVII; 13, I</td>
</tr>
<tr>
<td>Smithsonian Institution</td>
<td>36, V</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>2, XXIII; 20, III; 48, 23</td>
</tr>
<tr>
<td>Soldiers' and Airmen's Home, United States</td>
<td>5, XI</td>
</tr>
<tr>
<td>Special Counsel, Office of</td>
<td>5, VIII</td>
</tr>
<tr>
<td>Special Education and Rehabilitation Services, Office of</td>
<td>34, III</td>
</tr>
<tr>
<td>Special Inspector General for Iraq Reconstruction</td>
<td>5, LXXXV</td>
</tr>
<tr>
<td>State Department</td>
<td>2, VI; 22, I; 28, XI</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 6</td>
</tr>
<tr>
<td>Surface Mining Reclamation and Enforcement, Office of</td>
<td>30, VII</td>
</tr>
<tr>
<td>Surface Transportation Board</td>
<td>49, X</td>
</tr>
<tr>
<td>Susquehanna River Basin Commission</td>
<td>18, VIII</td>
</tr>
<tr>
<td>Technology Administration</td>
<td>15, XI</td>
</tr>
<tr>
<td>Technology Policy, Assistant Secretary for</td>
<td>37, IV</td>
</tr>
<tr>
<td>Technology, Under Secretary for</td>
<td>37, V</td>
</tr>
<tr>
<td>Tennessee Valley Authority</td>
<td>5, LIXIX; 18, XIII</td>
</tr>
<tr>
<td>Thrift Supervision Office, Department of the Treasury</td>
<td>12, V</td>
</tr>
<tr>
<td>Trade Representative, United States, Office of</td>
<td>15, XX</td>
</tr>
<tr>
<td>Transportation, Department of</td>
<td>2, XII; 5, L</td>
</tr>
<tr>
<td>Commercial Space Transportation</td>
<td>14, III</td>
</tr>
<tr>
<td>Contract Appeals, Board of</td>
<td>48, 63</td>
</tr>
<tr>
<td>Emergency Management and Assistance</td>
<td>44, IV</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 12</td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td>14, I</td>
</tr>
<tr>
<td>Federal Highway Administration</td>
<td>23, I, II</td>
</tr>
<tr>
<td>Federal Motor Carrier Safety Administration</td>
<td>49, III</td>
</tr>
<tr>
<td>Federal Railroad Administration</td>
<td>49, II</td>
</tr>
<tr>
<td>Federal Transit Administration</td>
<td>49, VI</td>
</tr>
<tr>
<td>Maritime Administration</td>
<td>46, II</td>
</tr>
<tr>
<td>National Highway Traffic Safety Administration</td>
<td>23, II, III; 47, IV; 49, V</td>
</tr>
<tr>
<td>Pipeline and Hazardous Materials Safety Administration</td>
<td>49, I</td>
</tr>
<tr>
<td>Saint Lawrence Seaway Development Corporation</td>
<td>33, IV</td>
</tr>
<tr>
<td>Secretary of Transportation, Office of</td>
<td>14, II; 49, Subtitle A</td>
</tr>
<tr>
<td>Surface Transportation Board</td>
<td>49, XI</td>
</tr>
<tr>
<td>Transportation Statistics Bureau</td>
<td></td>
</tr>
<tr>
<td>Travel Allowances, Temporary Duty (TDY)</td>
<td>41, 301</td>
</tr>
<tr>
<td>Treasury Department</td>
<td>5, XXI; 12, XV; 17, IV; 31, IX</td>
</tr>
<tr>
<td>Alcohol and Tobacco Tax and Trade Bureau</td>
<td>27, I</td>
</tr>
<tr>
<td>Community Development Financial Institutions Fund</td>
<td>12, XVIII</td>
</tr>
<tr>
<td>Comptroller of the Currency</td>
<td>12, I</td>
</tr>
<tr>
<td>Customs and Border Protection</td>
<td>19, I</td>
</tr>
<tr>
<td>Engraving and Printing, Bureau of</td>
<td>31, VI</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 10</td>
</tr>
<tr>
<td>Federal Claims Collection Standards</td>
<td>31, IX</td>
</tr>
<tr>
<td>Federal Law Enforcement Training Center</td>
<td>31, VII</td>
</tr>
<tr>
<td>Financial Crimes Enforcement Network</td>
<td>31, X</td>
</tr>
<tr>
<td>Fiscal Service</td>
<td>31, II</td>
</tr>
<tr>
<td>Foreign Assets Control, Office of</td>
<td>31, V</td>
</tr>
<tr>
<td>Internal Revenue Service</td>
<td>31, VIII</td>
</tr>
<tr>
<td>Investment Security, Office of</td>
<td>31, I</td>
</tr>
<tr>
<td>Monetary Offices</td>
<td>31, Subtitle A</td>
</tr>
<tr>
<td>Secret Service</td>
<td>31, IV</td>
</tr>
<tr>
<td>Secretary of the Treasury, Office of</td>
<td>12, V</td>
</tr>
<tr>
<td>Agency</td>
<td>CFR Title, Subtitle or Chapter</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Truman, Harry S. Scholarship Foundation</td>
<td>45, XVIII</td>
</tr>
<tr>
<td>United States and Canada, International Joint Commission</td>
<td>22, IV</td>
</tr>
<tr>
<td>United States and Mexico, International Boundary and Water Commission, United States Section</td>
<td>22, XI</td>
</tr>
<tr>
<td>Utah Reclamation Mitigation and Conservation Commission</td>
<td>43, III</td>
</tr>
<tr>
<td>Veterans Affairs Department</td>
<td>2, VIII; 38, I</td>
</tr>
<tr>
<td>Federal Acquisition Regulation</td>
<td>48, 8</td>
</tr>
<tr>
<td>Veterans’ Employment and Training Service, Office of the Assistant Secretary for</td>
<td>41, 61; 20, IX</td>
</tr>
<tr>
<td>Vice President of the United States, Office of</td>
<td>32, XXVIII</td>
</tr>
<tr>
<td>Vocational and Adult Education, Office of</td>
<td>34, IV</td>
</tr>
<tr>
<td>Wage and Hour Division</td>
<td>29, V</td>
</tr>
<tr>
<td>Water Resources Council</td>
<td>18, VI</td>
</tr>
<tr>
<td>Workers’ Compensation Programs, Office of</td>
<td>20, I</td>
</tr>
<tr>
<td>World Agricultural Outlook Board</td>
<td>7, XXXVIII</td>
</tr>
</tbody>
</table>
List of CFR Sections Affected

All changes in this volume of the Code of Federal Regulations that were made by documents published in the FEDERAL REGISTER since January 1, 2001, are enumerated in the following list. Entries indicate the nature of the changes effected. Page numbers refer to FEDERAL REGISTER pages. The user should consult the entries for chapters and parts as well as sections for revisions.


### 2001

<table>
<thead>
<tr>
<th>Chapter 2</th>
<th>48 CFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>202.101 Amended 49860, 63335</td>
<td>48 CFR—Continued</td>
</tr>
<tr>
<td>204.603 Revised 47096</td>
<td></td>
</tr>
<tr>
<td>204.670-1 (b) introductory text and (c)(3) amended 47096</td>
<td></td>
</tr>
<tr>
<td>204.670-2 (a)(1), (b)(1), (c)(3) and (7)(i) revised; (a)(3), (4) and (b)(3) added 47096</td>
<td></td>
</tr>
<tr>
<td>204.670-3 (a)(2) amended 47097</td>
<td></td>
</tr>
<tr>
<td>204.670-5 (a) amended 47097</td>
<td></td>
</tr>
<tr>
<td>204.670-6 (a), (b) introductory text; (1)(i), (c)(1), (2) and (3) amended 47097</td>
<td></td>
</tr>
<tr>
<td>204.7205 (a) and (b) amended 49861</td>
<td></td>
</tr>
<tr>
<td>204.7207 Added 47097</td>
<td></td>
</tr>
<tr>
<td>204.7303 (a)(2) amended 55121</td>
<td></td>
</tr>
<tr>
<td>207.103 (c), (d), (f) and (h) redesignated as (d), (e), (g) and (i); new (d)(i) introductory text revised; new (d)(ii) and (e) amended; new (h) added 47107</td>
<td></td>
</tr>
<tr>
<td>207.471 (b) amended 55121</td>
<td></td>
</tr>
<tr>
<td>211.503 Redesignated from 49861</td>
<td></td>
</tr>
<tr>
<td>211.504 Redesignated as 49861</td>
<td></td>
</tr>
<tr>
<td>212.1 Added; interim 63336</td>
<td></td>
</tr>
<tr>
<td>212.301 (f)(ii)(l) amended 49861</td>
<td></td>
</tr>
<tr>
<td>212.503 Regulation at 65 FR 77828 confirmed 55122</td>
<td></td>
</tr>
<tr>
<td>212.504 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>219.800 Amended 49863</td>
<td></td>
</tr>
<tr>
<td>219.800 (a)(3)(A), (a)(3)(A)(i) through (l) and (a)(3)(b) redesignated as (a)(1), (a)(l)(A) through (D), and (a)(l); new (a)(ii) added 49861</td>
<td></td>
</tr>
<tr>
<td>219.1005 (a) (3)(A), (a)(3)(A)(i) through (l) and (a)(3)(b) redesignated as (a)(1), (a)(l)(A) through (D), and (a)(l); new (a)(ii) added 49861</td>
<td></td>
</tr>
<tr>
<td>219.7100 Revised; interim 47108</td>
<td></td>
</tr>
<tr>
<td>219.7102 (b) revised; (d)(2) amended 47108</td>
<td></td>
</tr>
<tr>
<td>219.7103–2 (c) amended 47109</td>
<td></td>
</tr>
<tr>
<td>223.404 Removed 49864</td>
<td></td>
</tr>
<tr>
<td>223.405 Added 49864</td>
<td></td>
</tr>
<tr>
<td>225.212–7001 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>225.225–7016 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>225.225–7023 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>225.7019–2 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>225.7019–4 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>225.7020–225.7020–4 Regulation at 65 FR 77828 confirmed 49862</td>
<td></td>
</tr>
<tr>
<td>226.104 Introductory text revised; interim 47111</td>
<td></td>
</tr>
<tr>
<td>232.501–1 Revised 49865</td>
<td></td>
</tr>
<tr>
<td>232.504–4–70 (b) revised 49865</td>
<td></td>
</tr>
</tbody>
</table>

619
### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Text Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>236.201</td>
<td>(c)(1)(A)(I) and (c)(1)(B) revised.</td>
</tr>
<tr>
<td>236.206</td>
<td>Amended.</td>
</tr>
<tr>
<td>236.274</td>
<td>(a) amended.</td>
</tr>
<tr>
<td>237.210</td>
<td>Section heading, Introductory text revised.</td>
</tr>
<tr>
<td>242.202</td>
<td>(e)(1)(A) amended.</td>
</tr>
<tr>
<td>243.204–71</td>
<td>Added.</td>
</tr>
<tr>
<td>243.205–70</td>
<td>Removed.</td>
</tr>
<tr>
<td>243.212–70</td>
<td>Regulation at 65 FR 77828 confirmed.</td>
</tr>
<tr>
<td>243.225–7021</td>
<td>(a)(4) amended.</td>
</tr>
<tr>
<td>243.225–7021</td>
<td>Amended.</td>
</tr>
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<td>243.227–7005</td>
<td>Amended.</td>
</tr>
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<td>243.239–7000</td>
<td>Introductory text amended.</td>
</tr>
<tr>
<td>243.233–7000</td>
<td>Removed.</td>
</tr>
<tr>
<td>243.233–7001</td>
<td>Amended.</td>
</tr>
<tr>
<td>243.234–7002</td>
<td>Amended.</td>
</tr>
<tr>
<td>243.234–7011</td>
<td>Introductory text, (a) amended.</td>
</tr>
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<td>253</td>
<td>Technical correction.</td>
</tr>
<tr>
<td>253.204–70</td>
<td>Revised.</td>
</tr>
<tr>
<td>253.204–71</td>
<td>(a)(3) introductory text.</td>
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</table>

---

### 2002

<table>
<thead>
<tr>
<th>Section</th>
<th>Text Description</th>
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<tbody>
<tr>
<td>201.603</td>
<td>Revised.</td>
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<td>202.101</td>
<td>Amended.</td>
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<td>204.670–1</td>
<td>(a) introductory text amended; (c)(5) redesignated as (c)(6); new (c)(5) added.</td>
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<td>204.670–2</td>
<td>(a)(2)(i) amended; (a)(2)(ii) redesignated as (a)(2)(iv); new (a)(2)(ii) added.</td>
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<tr>
<td>204.700–3</td>
<td>Amended; interim.</td>
</tr>
<tr>
<td>207</td>
<td>Meetings.</td>
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<tr>
<td>207.103</td>
<td>Redesigned from 208.002; new 208.002 redesignated from 208.001.</td>
</tr>
</tbody>
</table>

---

48 CFR (10–1–11 Edition)
<table>
<thead>
<tr>
<th>CFR Section</th>
<th>Amended/Revised</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>209.470-3</td>
<td>(b)(1), (2) and (3) amended</td>
<td>49254</td>
</tr>
<tr>
<td>210</td>
<td>Added; interim</td>
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</tr>
<tr>
<td>212.102</td>
<td>Revised</td>
<td>65514</td>
</tr>
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<td>212.503</td>
<td>(a)(xii) removed</td>
<td>4208</td>
</tr>
<tr>
<td>213.005</td>
<td>Removed</td>
<td>4208</td>
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<td>213.301</td>
<td>(2)(i)(E) amended; (2)(i)(G) added</td>
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<td>215.404-71-1</td>
<td>Revised</td>
<td>20689</td>
</tr>
<tr>
<td>215.404-71-2</td>
<td>Revised</td>
<td>20689</td>
</tr>
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<td>215.404-71-3</td>
<td>(b) table amended</td>
<td>49255</td>
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<td>(b)(2) and (e)(2) introductory text revised</td>
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<td>(b) introductory text table, (c)(2) and (5) amended</td>
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<td>(a) and (b)(2)(ii) amended; (c) and (d) revised</td>
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<td>215.404-71-5</td>
<td>Added</td>
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<td>49255</td>
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<td>215.404-72</td>
<td>(b)(1)(i) amended</td>
<td>49255</td>
</tr>
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<td>(b)(1)(ii) removed; (b)(1)(iii) redesignated as (b)(1)(ii)</td>
<td>20692</td>
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</tr>
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<td>(b)(1) and (2) headings amended</td>
<td>49255</td>
<td></td>
</tr>
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<td>215.404-73</td>
<td>(b)(2)(i) amended</td>
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</tr>
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<td>215.404-74</td>
<td>(c) revised</td>
<td>20692</td>
</tr>
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<td>215.404-76</td>
<td>(b) table amended</td>
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</tr>
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<td>215.407-4</td>
<td>(b)(2) and (c)(2)(A) introductory text amended</td>
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</tr>
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<td>(c)(1) amended</td>
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<td>(a)(2) amended</td>
<td>49252</td>
</tr>
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<td>216 Meetings</td>
<td></td>
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</tr>
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<td>216.501-1</td>
<td>Added</td>
<td>65508</td>
</tr>
<tr>
<td>216.505-70</td>
<td>Added</td>
<td>65508</td>
</tr>
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<td>4208</td>
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<td>217.7000</td>
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<td>219.708</td>
<td>(b)(1)(A) and (B) amended</td>
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<td>219.800</td>
<td>(a) amended</td>
<td>4208</td>
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<td>Revised; interim</td>
<td>11436</td>
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</tr>
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<td>219.804-2</td>
<td>Revised; interim</td>
<td>11436</td>
</tr>
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<td>(1) introductory text, (ii)(A), (2) introductory text, (ii) and (3) amended</td>
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<td></td>
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<td>219.804-3</td>
<td>Amended; interim</td>
<td>11436</td>
</tr>
<tr>
<td>219.805-2</td>
<td>Amended; interim</td>
<td>11436</td>
</tr>
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<td>219.806</td>
<td>Introductory text, (1) and (2) amended</td>
<td>11437</td>
</tr>
<tr>
<td>219.809-1</td>
<td>Introductory text, (1) and (2) amended</td>
<td>49256</td>
</tr>
<tr>
<td>219.811-1</td>
<td>Introductory text, (a) and (b) introductory text amended; interim</td>
<td>11437</td>
</tr>
<tr>
<td>(a) amended</td>
<td>49256</td>
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<tr>
<td>219.811-2</td>
<td>Amended; interim</td>
<td>11437</td>
</tr>
<tr>
<td>Amended</td>
<td>49256</td>
<td></td>
</tr>
<tr>
<td>219.811-3</td>
<td>(1) and (2) amended; interim</td>
<td>11437</td>
</tr>
<tr>
<td>219.812</td>
<td>(d) amended; interim</td>
<td>11437</td>
</tr>
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<td>219.7100</td>
<td>Regulation at 66 FR 47108 confirmed</td>
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<tr>
<td>219.7102</td>
<td>Regulation at 66 FR 47108 confirmed</td>
<td>11435</td>
</tr>
<tr>
<td>219.7103-2</td>
<td>Regulation at 66 FR 47109 confirmed</td>
<td>11435</td>
</tr>
<tr>
<td>219.7104</td>
<td>(b) and (d) amended</td>
<td>77937</td>
</tr>
<tr>
<td>222.1304</td>
<td>Removed</td>
<td>4208</td>
</tr>
<tr>
<td>223.7100</td>
<td>Amended</td>
<td>61516</td>
</tr>
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<td>223.7102</td>
<td>(b) amended</td>
<td>61516</td>
</tr>
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<td>225.001</td>
<td>(3)(ii) removed; (3)(iii) redesignated as (3)(ii); new (3)(iii) amended</td>
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</tr>
<tr>
<td>225.003</td>
<td>(3) revised</td>
<td>20694</td>
</tr>
<tr>
<td>(4) and (12) amended</td>
<td>77938</td>
<td></td>
</tr>
<tr>
<td>225.103</td>
<td>(b)(iii)(C) amended</td>
<td>49252</td>
</tr>
<tr>
<td>(a)(1) redesignated as (a)(i); new (a)(i)(B) revised</td>
<td>77938</td>
<td></td>
</tr>
<tr>
<td>225.302–255.304</td>
<td>(Subpart 225.3)</td>
<td>20694</td>
</tr>
<tr>
<td>Removed</td>
<td>20694</td>
<td></td>
</tr>
<tr>
<td>225.402</td>
<td>Revised</td>
<td>77938</td>
</tr>
<tr>
<td>225.502</td>
<td>Revised</td>
<td>77938</td>
</tr>
<tr>
<td>225.504</td>
<td>(4) removed</td>
<td>77938</td>
</tr>
<tr>
<td>225.872–1</td>
<td>Amended</td>
<td>4209</td>
</tr>
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<td>225.1101</td>
<td>(13)(1)(A) and (B) amended</td>
<td>20693</td>
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<td>(1), (2) introductory text, (12) introductory text and (13) introductory text amended</td>
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<td></td>
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<td>(3)(ii), (5) and (6) removed; (3)(iii), (iv) and (7) through (14) redesignated as (3)(ii), (iii) and (5) through (12); (2)(ii), new (9) and new (12) amended</td>
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<td></td>
</tr>
<tr>
<td>225.1103</td>
<td>(1) revised</td>
<td>20694</td>
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<td>225.7001</td>
<td>(c) removed; (b) redesignated as (c); new (b) added</td>
<td>20697</td>
</tr>
<tr>
<td>225.7002-2</td>
<td>Revised; interim</td>
<td>20697</td>
</tr>
<tr>
<td>225.7002-3</td>
<td>Revised; interim</td>
<td>20697</td>
</tr>
<tr>
<td>225.7020-4</td>
<td>Introductory text reversed</td>
<td>11437</td>
</tr>
<tr>
<td>225.7304</td>
<td>Revised</td>
<td>70325</td>
</tr>
<tr>
<td>225.7500—225.7503</td>
<td>(Subpart 225.75)</td>
<td>20694</td>
</tr>
<tr>
<td>Added</td>
<td>20694</td>
<td></td>
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<td>225.7501</td>
<td>(b)(1)(iii) revised</td>
<td>77939</td>
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</tbody>
</table>
252.225–7036 Introductory text amended
77939
252.225–7037 Introductory text amended
77939
252.225–7044 Added
36565
252.225–7045 Added
20695
252.226–7001 Regulation at 66 FR
47111 confirmed
38022
252.229–7003 Revised
4210
252.232–7005 Regulation at 66 FR
47109 confirmed
11435
252.247–7023 Clause amended
38022
252.251–7000 Clause amended
65512
253.204–70 Revised
46113
(a)(3)(i) corrected
49256
253.215–70 (c)(12) and (15) revised
49255
Chapter 2 Appendix G amended
4208, 49252, 49253, 61517, 70325,
70329, 77936
Appendix I amended
77937
Regulation at 66 FR 47109 confirmed
11435

2003

Chapter 2
201.201–1 (d)(1) V amended
7439
201.304 (1)(ii), (4) and (5) amended
7439
201.402 (1) introductory text and
(2) introductory text amended
7439
201.404 (b)(i) amended
7439
202 Meetings
60861
204 Meetings
60861
204.203 Revised; interim
64558
204.603 Removed; interim
64558
204.904 (2) introductory text and
(ii) revised; interim
64558
204.905 Removed; interim
64558
204.1103–204.1104 (Subpart 204.11)
Added; interim
64558
204.7000 Revised
64556
204.7002 (c) amended
64556
204.7003 (a)(1)(i)(j) amended
7439
(a)(1) revised
64557
204.7004 (d)(2)(i) amended
64557
204.7005 Added
64557
204.7104–1 (a)(3) revised; interim
58632, 75200
List of CFR Sections Affected

48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>68 FR</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>204.7104–2 (e)(10) and (11) added; interim</td>
<td>58632</td>
<td></td>
</tr>
<tr>
<td>(e)(10) and (11) removed; interim</td>
<td>75200</td>
<td></td>
</tr>
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<td>204.7202–1 (b)(2)(iv)(D) revised</td>
<td>15380</td>
<td></td>
</tr>
<tr>
<td>(b)(1) revised; interim</td>
<td>64558</td>
<td></td>
</tr>
<tr>
<td>204.7207 (a) revised; interim</td>
<td>64558</td>
<td></td>
</tr>
<tr>
<td>204.7300–204.7304 (Subpart 204.73) Removed; interim</td>
<td>64558</td>
<td></td>
</tr>
<tr>
<td>206.302–5 (c)(1)(B) amended</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>206.303–1 (d) added</td>
<td>15618</td>
<td></td>
</tr>
<tr>
<td>207.103 (b)(1)(A) revised</td>
<td>15380</td>
<td></td>
</tr>
<tr>
<td>207.7001–207.7003 (Subpart 207.70) Added; interim</td>
<td>43331</td>
<td></td>
</tr>
<tr>
<td>208.601–70 Added</td>
<td>64560</td>
<td></td>
</tr>
<tr>
<td>208.602 Regulation at 67 FR 20688 confirmed</td>
<td>64560</td>
<td></td>
</tr>
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<td>64561</td>
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<td>208.606 Revised</td>
<td>36944</td>
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<td>64560</td>
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<td>64561</td>
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<td>208.670 Added</td>
<td>64561</td>
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<td>208.671 Added</td>
<td>64561</td>
<td></td>
</tr>
<tr>
<td>208.7203 (c) revised</td>
<td>15618</td>
<td></td>
</tr>
<tr>
<td>209.104–1 (g)(ii)(C) amended</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>209.104–70 (a) amended</td>
<td>7439</td>
<td></td>
</tr>
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<td>209.403 Amended</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>209.406–2 (a)(ii) amended</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>210 Regulation at 67 FR 20688 confirmed</td>
<td>64560</td>
<td></td>
</tr>
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<td>64561</td>
<td></td>
</tr>
<tr>
<td>211 Meetings</td>
<td>60861</td>
<td></td>
</tr>
<tr>
<td>211.274 Added; interim</td>
<td>58633</td>
<td></td>
</tr>
<tr>
<td>Revised; interim</td>
<td>75200</td>
<td></td>
</tr>
<tr>
<td>211.274–1 Added; interim</td>
<td>58633</td>
<td></td>
</tr>
<tr>
<td>Revised; interim</td>
<td>75200</td>
<td></td>
</tr>
<tr>
<td>211.274–2 Added; interim</td>
<td>58633</td>
<td></td>
</tr>
<tr>
<td>Revised; interim</td>
<td>75200</td>
<td></td>
</tr>
<tr>
<td>211.274–3 Added; interim</td>
<td>58633</td>
<td></td>
</tr>
<tr>
<td>Revised; interim</td>
<td>75200</td>
<td></td>
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<td>212 Meetings</td>
<td>60861</td>
<td></td>
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<td>212.301 (f)(1)(B) removed; (f)(1)(C) and (D) redesignated as (f)(1)(B) and (C)</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>(f)(vi) removed; (f)(vii) redesignated as (f)(vi)</td>
<td>15618</td>
<td></td>
</tr>
<tr>
<td>(f)(vii) added; interim</td>
<td>58633</td>
<td></td>
</tr>
<tr>
<td>(b)(2) and (f)(iv) removed; (f)(v) and (vi) redesignated as (f)(iv) and (v) ; interim</td>
<td>64558</td>
<td></td>
</tr>
<tr>
<td>(f)(vii) redesignated as (f)(vi); interim</td>
<td>75200</td>
<td></td>
</tr>
<tr>
<td>213.106–3 Removed; interim</td>
<td>64558</td>
<td></td>
</tr>
<tr>
<td>213.301 (2)(ii)(B) amended</td>
<td>56561</td>
<td></td>
</tr>
<tr>
<td>213.302–5 (d) introductory text and (ii) amended</td>
<td>56561</td>
<td></td>
</tr>
</tbody>
</table>

48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>68 FR</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>214.407–3 (e)(vi) revised</td>
<td>7439</td>
<td></td>
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<td>(e)(vii) correctly designated as (e)(viii)</td>
<td>9580</td>
<td></td>
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<tr>
<td>216.405–2 (b)(3) added</td>
<td>64568</td>
<td></td>
</tr>
<tr>
<td>217.103 Revised; interim</td>
<td>43332</td>
<td></td>
</tr>
<tr>
<td>217.170 (d)(4) amended</td>
<td>7439</td>
<td></td>
</tr>
<tr>
<td>217.171 (a)(1)(v) added; interim</td>
<td>43333</td>
<td></td>
</tr>
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<td>217.172 (a) revised; (b) and (d)(1) amended</td>
<td>50475</td>
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<td>217.173 (b)(5)(iv) amended</td>
<td>7439</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>219.000 Introductory text amended</td>
<td>15619</td>
<td></td>
</tr>
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<td>64561</td>
<td></td>
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<td>7439</td>
<td></td>
</tr>
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<td>15619</td>
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<td>15618</td>
<td></td>
</tr>
<tr>
<td>225.003 Revised</td>
<td>15618</td>
<td></td>
</tr>
<tr>
<td>225.101–225.171 (Subpart 225.1) Revised</td>
<td>15619</td>
<td></td>
</tr>
<tr>
<td>225.202 (a)(2) amended</td>
<td>15619</td>
<td></td>
</tr>
<tr>
<td>225.401 Revised</td>
<td>15619</td>
<td></td>
</tr>
<tr>
<td>225.401–70 Introductory text amended</td>
<td>15619</td>
<td></td>
</tr>
<tr>
<td>225.403 Revised</td>
<td>15619</td>
<td></td>
</tr>
<tr>
<td>225.502–225.504 (Subpart 225.5) Revised</td>
<td>15620</td>
<td></td>
</tr>
<tr>
<td>225.670–225.670–4 (Subpart 225.6) Added</td>
<td>15620</td>
<td></td>
</tr>
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<td>225.701 Amended</td>
<td>15621</td>
<td></td>
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<td>225.901–225.903 (Subpart 225.9) Revised</td>
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<td>225.100–225.1103 (Subpart 225.11) Revised</td>
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</table>
### List of CFR Sections Affected

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>68 FR Page</th>
</tr>
</thead>
<tbody>
<tr>
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<td>225.7030 (b), (c), and (d) revised</td>
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<td>15631</td>
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<td>225.7401 (d) revised</td>
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<td>226.153 Revised; interim</td>
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</tr>
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<td>226.154 Revised; interim</td>
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<td>226.7000 (a) and (b) amended</td>
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<td>226.152–1 Revised</td>
<td>38945</td>
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<td>226.152–70 Added</td>
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<td>230.201–5 (a)(1)(A)(2), (B), (e)(1) and (ii) amended</td>
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<td>231.205–70 (d)(9) and (10) amended</td>
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</table>

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>68 FR Page</th>
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</thead>
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<tr>
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<td>69630</td>
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<td>242.602 (c)(2) amended</td>
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<td>243 Meetings</td>
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<td>250.102–70 Amended</td>
<td>15380</td>
</tr>
<tr>
<td>250.303 (3) amended; (12) revised</td>
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</tr>
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<td>252 Meetings</td>
<td>60861</td>
</tr>
<tr>
<td>252.204–7004 Revised; interim</td>
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<tr>
<td>252.21–7003 Added; interim</td>
<td>58633</td>
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<td>252.212–7001 Clause amended; interim</td>
<td>7442, 7455, 56562</td>
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<td>15633, 33026, 56561, 69630</td>
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### 48 CFR (10–1–11 Edition)

#### 48 CFR—Continued

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#### 2004

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<th>Action</th>
<th>Page</th>
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<td>(a) revised</td>
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<tr>
<td>202</td>
<td>Technical correction</td>
<td>128</td>
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<td>202.101</td>
<td>Amended</td>
<td>1926, 58333, 63327</td>
</tr>
<tr>
<td>203.070</td>
<td>Added</td>
<td>74990</td>
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</table>

#### 48 CFR—Continued

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<th>Action</th>
<th>Page</th>
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<td>(Subpart 203.4) Removed</td>
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<td>Technical correction</td>
<td>128</td>
</tr>
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<td>204.7003</td>
<td>(a)(1) amended</td>
<td>63327</td>
</tr>
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<td>204.7005</td>
<td>(d) revised</td>
<td>63327</td>
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<td>Revised</td>
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<td>(b)(13) amended</td>
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<td>Added; interim</td>
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<td>Added; interim</td>
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<td>(Subpart 207.70) Regulation at 68 FR 43331 confirmed</td>
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<td>208.404</td>
<td>(S–70) added</td>
<td>63327</td>
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<td>208.601–70</td>
<td>(Subpart 208.6) Removed</td>
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<td>Revised</td>
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<td>Revised</td>
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<td>209.270</td>
<td>Added; interim</td>
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</tr>
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<td>209.270–4</td>
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<tr>
<td>209.305–209.308</td>
<td>(Subpart 209.3) Removed</td>
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626
<table>
<thead>
<tr>
<th>Section</th>
<th>Action</th>
<th>Page</th>
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<tr>
<td>209.406-3</td>
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<td>74990</td>
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<td>128</td>
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<td>212.301 (f)(i)(C) revised; interim</td>
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<td>Added; interim</td>
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### 48 CFR—Continued

<table>
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<tr>
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<th>Page</th>
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<tr>
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</tr>
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<td>242.1104 Revised</td>
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<td>128</td>
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<td>246.407 (f)(iii)(B–70) added; interim</td>
<td>55989</td>
</tr>
<tr>
<td>246.504 (Subpart 246.5) Added; interim</td>
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</tr>
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<td>67858</td>
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<td>128</td>
</tr>
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<td>252.209–7001 Introductory text amended</td>
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### 48 CFR—Continued

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<th>Regulation at 69 FR 26509 confirmed</th>
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<td>74992</td>
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<tr>
<td>252.219–7005 Removed</td>
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</tr>
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<td>1928</td>
</tr>
<tr>
<td>252.235–7011 Revised</td>
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<td>252.238–7000 Revised</td>
<td>35535</td>
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<td>200—299 (Ch. 2) Appendix I revised</td>
<td>74996</td>
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### 2005

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<th>48 CFR</th>
<th>Page</th>
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<td>204.201 Revised</td>
<td>58982</td>
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Chapter 2

<table>
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<th>200—299 (Ch. 2) Heading revised</th>
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<td>20836</td>
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<td>204.201 Revised</td>
<td>58982</td>
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628
### List of CFR Sections Affected

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section Numbers</th>
<th>Action</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>225.7201—225.7204 (Subpart 225.72)</td>
<td>Revised</td>
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<td>225.7301 (e) added; interim</td>
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<td>225.7302 Revised</td>
<td>75413</td>
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<td>75413</td>
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<td>75413</td>
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</tbody>
</table>

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section Numbers</th>
<th>Action</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
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<td>75413</td>
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### 48 CFR—Continued

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### 48 CFR—Continued

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### List of CFR Sections Affected

#### 48 CFR—Continued

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#### 48 CFR—Continued

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#### 48 CFR

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**List of CFR Sections Affected**

### 48 CFR—Continued

<table>
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<th>Section</th>
<th>Action</th>
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<tbody>
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<td>217.7200—217.7203 (Subpart 217.72)</td>
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**Chapter 2—Continued**

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**Chapter 2—Continued**

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**Chapter 2—Continued**

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**Chapter 2—Continued**

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**Chapter 2—Continued**

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**Chapter 2—Continued**

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<td>18670</td>
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<td>62566</td>
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<td>225.7201 Regulation at 70 FR 34828 confirmed</td>
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<td>225.7204-1 Revised; interim</td>
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<td>Regulation at 71 FR 34828 comment period extended</td>
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</tr>
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<td>225.7601—225.7605 (Subpart 225.6) Added</td>
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</tr>
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### List of CFR Sections Affected

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>230.201–5 Revised</td>
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</tr>
<tr>
<td>230.7000—230.7004–2 (Subpart 230.70) Removed</td>
<td>69495</td>
</tr>
<tr>
<td>230.7100—230.7103 (Subpart 230.71) Removed</td>
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</tr>
<tr>
<td>232.201 (c) revised</td>
<td>9272</td>
</tr>
<tr>
<td>232.203 Revised</td>
<td>9273</td>
</tr>
<tr>
<td>232.213 Revised</td>
<td>9273</td>
</tr>
<tr>
<td>232.213–70 Removed</td>
<td>9273</td>
</tr>
<tr>
<td>232.267 Removed; new 232.267 redesignated from 236.274; (b) revised</td>
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</tr>
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</tr>
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<td>232.601 Revised; interim</td>
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</tr>
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<td>53044</td>
</tr>
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</tr>
<tr>
<td>237.170 Regulation at 68 FR 56564 confirmed</td>
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</tr>
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</tr>
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</tr>
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<td>14104</td>
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</tr>
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</tr>
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</table>

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Chapter 2—Continued</th>
<th>Page</th>
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<tbody>
<tr>
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</tr>
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</tr>
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<td>3416</td>
</tr>
<tr>
<td>239.7001 (Subpart 239.70) Revised</td>
<td>39010</td>
</tr>
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<td>239.7200 Removed</td>
<td>39011</td>
</tr>
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<td>39011</td>
</tr>
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<td>39011</td>
</tr>
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<td>239.7400 Amended</td>
<td>39011</td>
</tr>
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<td>39011</td>
</tr>
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<td>39011</td>
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</tr>
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<td>3417</td>
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<td>3417</td>
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<td>3417</td>
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<td>3417</td>
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<td>3417</td>
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<td>3418</td>
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<td>9273</td>
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<td>27646</td>
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<td>252.222–7006 Added; interim ..................62564</td>
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<tr>
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<tr>
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</tr>
</tbody>
</table>
## List of CFR Sections Affected

### 48 CFR—Continued

<table>
<thead>
<tr>
<th>CFR Section</th>
<th>Action</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>252.237–7007</td>
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<td>3416</td>
</tr>
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### 2007

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### 48 CFR—Continued

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<th>Action</th>
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639
### 48 CFR—Continued

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### 48 CFR—Continued

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640
### List of CFR Sections Affected

#### 48 CFR—Continued

<table>
<thead>
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<th>Section</th>
<th>Action</th>
<th>Page</th>
</tr>
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<td>Added; interim</td>
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#### 2008

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<th>Section</th>
<th>Action</th>
<th>Page</th>
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</table>
## List of CFR Sections Affected

### 48 CFR—Continued

<table>
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<tr>
<th>Section</th>
<th>Action</th>
<th>Page</th>
</tr>
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### 48 CFR—Continued

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<th>Action</th>
<th>Page</th>
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### 48 CFR—Continued

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<td>Page</td>
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<th>CFR Edition</th>
<th>Page</th>
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</thead>
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<td>73 FR</td>
</tr>
<tr>
<td>Chapter 2—Continued</td>
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<td>Chapter 2</td>
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### List of CFR Sections Affected

**48 CFR—Continued**  
Chapter 2—Continued

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**48 CFR—Continued**  
Chapter 2—Continued

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<th>Section</th>
<th>Affected by</th>
</tr>
</thead>
<tbody>
<tr>
<td>217.7002</td>
<td>Revised; interim</td>
</tr>
<tr>
<td>217.7003</td>
<td>(a) revised; interim</td>
</tr>
<tr>
<td>217.7001</td>
<td>Revised; interim</td>
</tr>
<tr>
<td>217.7002</td>
<td>(b)(2) and (c)(1) amended</td>
</tr>
<tr>
<td>217.7004</td>
<td>(c) amended</td>
</tr>
<tr>
<td>217.7005</td>
<td>(7) through (12) redesignated as (b) through (13); new (7) added; interim</td>
</tr>
<tr>
<td>217.7005–1</td>
<td>(2) added</td>
</tr>
<tr>
<td>217.7005–2</td>
<td>(b) and (f) introductory text amended; (b)(1)(v) added; (b)(3) and (4) revised; (b)(5), (m), (n) and (q) removed; (o) and (p) redesignated as new (m) and (n)</td>
</tr>
<tr>
<td>217.7007–3</td>
<td>(a) and (b) amended</td>
</tr>
<tr>
<td>217.7007</td>
<td>Added</td>
</tr>
<tr>
<td>217.7008</td>
<td>Added</td>
</tr>
<tr>
<td>217.7014</td>
<td>Revised; interim</td>
</tr>
<tr>
<td>217.7016</td>
<td>Removed; new 225.7016 redesignated from 225.7017</td>
</tr>
<tr>
<td>225.7017–1</td>
<td>53413</td>
</tr>
<tr>
<td>225.7017–2</td>
<td>53413</td>
</tr>
<tr>
<td>225.7017–3</td>
<td>53413</td>
</tr>
<tr>
<td>225.7017–4</td>
<td>53413</td>
</tr>
<tr>
<td>Section</td>
<td>Action</td>
</tr>
<tr>
<td>---------</td>
<td>--------</td>
</tr>
<tr>
<td>225.7017</td>
<td>Redesignated as 225.7016</td>
</tr>
<tr>
<td>225.7017–1</td>
<td>Redesignated as 225.7016–1</td>
</tr>
<tr>
<td>225.7017–2</td>
<td>Redesignated as 225.7016–2</td>
</tr>
<tr>
<td>225.7017–3</td>
<td>Redesignated as 225.7016–3</td>
</tr>
<tr>
<td>235.072 (e)</td>
<td>Added</td>
</tr>
<tr>
<td>234.7002</td>
<td>Revised; interim</td>
</tr>
<tr>
<td>231.205–1</td>
<td>Added</td>
</tr>
<tr>
<td>227.7100 (a)(6) and (7)</td>
<td>Redesignated as (a)(8) and (9); new (a)(6) and (7) added; interim</td>
</tr>
<tr>
<td>227.7303–1 (c)</td>
<td>Revised; (e) added</td>
</tr>
<tr>
<td>225.7402–4</td>
<td>Redesignated as 225.7402–5; new 225.7402–4 added</td>
</tr>
<tr>
<td>225.7402–5</td>
<td>Redesignated from 225.7402–4</td>
</tr>
<tr>
<td>227.7004 (c)(7)</td>
<td>Amended</td>
</tr>
<tr>
<td>227.7102–1 (c)</td>
<td>Added; interim</td>
</tr>
<tr>
<td>227.7102–3 (a)</td>
<td>Redesignated as (a)(1); (a)(2) added; interim</td>
</tr>
<tr>
<td>227.7103–1 (g)</td>
<td>Added; interim</td>
</tr>
<tr>
<td>Regulation at 72 FR 51189 confirmed</td>
<td></td>
</tr>
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<td>227.7103–6 (b)</td>
<td>Introductory text, (1) and (2) redesignated as (b)(1) introductory text, (1) and (ii); new (b)(2) added; interim</td>
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<tr>
<td>227.7203–1</td>
<td>Regulation at 72 FR 51189 confirmed</td>
</tr>
<tr>
<td>231.205–1</td>
<td>Added</td>
</tr>
<tr>
<td>231.206</td>
<td>Added; interim</td>
</tr>
<tr>
<td>235.072 (e)</td>
<td>Added</td>
</tr>
<tr>
<td>236.274</td>
<td>Added; interim</td>
</tr>
<tr>
<td>Regulation at 74 FR 2418 confirmed</td>
<td></td>
</tr>
<tr>
<td>236.275</td>
<td>Added</td>
</tr>
<tr>
<td>236.370 (d)</td>
<td>Redesignated as (e); new (a) added; interim</td>
</tr>
<tr>
<td>Regulation at 74 FR 2418 confirmed</td>
<td></td>
</tr>
<tr>
<td>237.102 (e)</td>
<td>Added</td>
</tr>
<tr>
<td>237.102–70</td>
<td>Regulation at 73 FR 53157 confirmed</td>
</tr>
<tr>
<td>237.102–72</td>
<td>Added; interim</td>
</tr>
<tr>
<td>237.7003 (c)</td>
<td>Revised</td>
</tr>
<tr>
<td>237.7204</td>
<td>Amended</td>
</tr>
<tr>
<td>237.7501–237.7502 (Subpart 237.75)</td>
<td>Added</td>
</tr>
<tr>
<td>239.101</td>
<td>Amended</td>
</tr>
<tr>
<td>239.7402 (b)(3) and (4)</td>
<td>Revised</td>
</tr>
<tr>
<td>241.103</td>
<td>Amended</td>
</tr>
<tr>
<td>244.403 (1)</td>
<td>Revised</td>
</tr>
</tbody>
</table>
## List of CFR Sections Affected

### 48 CFR—Continued

**Chapter 2—Continued**

<table>
<thead>
<tr>
<th>Regulation at 74 FR 2423 confirmed</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>252.225-7036 Clause amended; interim</td>
<td>68386</td>
</tr>
<tr>
<td>Alternate I amended</td>
<td>37642</td>
</tr>
<tr>
<td>Clause amended; interim</td>
<td>37651</td>
</tr>
<tr>
<td>Regulation at 74 FR 2423 confirmed</td>
<td>68386</td>
</tr>
<tr>
<td>252.225-7040 Introductory text revised; clause amended</td>
<td>2420</td>
</tr>
<tr>
<td>Clause amended; interim</td>
<td>34265</td>
</tr>
<tr>
<td>Regulation at 74 FR 2424 confirmed</td>
<td>2424</td>
</tr>
<tr>
<td>252.225-7044 Clause amended; interim</td>
<td>68386</td>
</tr>
<tr>
<td>Clause amended; interim</td>
<td>37651, 61046</td>
</tr>
<tr>
<td>Regulation at 74 FR 2424 confirmed</td>
<td>68386</td>
</tr>
<tr>
<td>252.227-7013 Alternate I amended; Alternate II added; interim</td>
<td>61044</td>
</tr>
<tr>
<td>252.227-7015 Introductory text amended; Alternate I added; interim</td>
<td>61045</td>
</tr>
<tr>
<td>252.235-7004 Added</td>
<td>37648</td>
</tr>
<tr>
<td>252.236-7013 Added; interim</td>
<td>2418</td>
</tr>
<tr>
<td>Regulation at 74 FR 2418 confirmed</td>
<td>59917</td>
</tr>
<tr>
<td>252.242-7004 Clause amended</td>
<td>37648</td>
</tr>
<tr>
<td>252.244-7000 Clause amended; interim</td>
<td>2418</td>
</tr>
<tr>
<td>Clause amended</td>
<td>42781</td>
</tr>
<tr>
<td>Regulation at 74 FR 2418 confirmed</td>
<td>59917</td>
</tr>
<tr>
<td>252.245-7000 Introductory text amended</td>
<td>37648</td>
</tr>
<tr>
<td>252.247-7003 Added; interim</td>
<td>37653</td>
</tr>
<tr>
<td>252.294 Removed</td>
<td>37645</td>
</tr>
<tr>
<td>253.204-70 Removed</td>
<td>37645</td>
</tr>
</tbody>
</table>

**2010**

<table>
<thead>
<tr>
<th>Regulation at 74 FR 42278 confirmed</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>201.602-2 (1) revised</td>
<td>22706</td>
</tr>
<tr>
<td>202.101 Regulation at 74 FR 34264 confirmed</td>
<td>51416</td>
</tr>
<tr>
<td>Regulation at 74 FR 34264 confirmation delayed</td>
<td>52650</td>
</tr>
<tr>
<td>203.1004 (a) added</td>
<td>59101</td>
</tr>
<tr>
<td>204.270 Added</td>
<td>59102</td>
</tr>
<tr>
<td>204.7006 Added</td>
<td>59102</td>
</tr>
<tr>
<td>204.7300–204.7305 (Subpart 204.73) Regulation at 73 FR 42278 confirmed</td>
<td>18034</td>
</tr>
<tr>
<td>205.205 Added; interim</td>
<td>40716</td>
</tr>
<tr>
<td>205.303 (a)(i) introductory text, (A) and (B) amended</td>
<td>45073</td>
</tr>
<tr>
<td>Regulation at 73 FR 53152 confirmed</td>
<td>18039</td>
</tr>
<tr>
<td>206.303-70 Regulation at 73 FR 53152 confirmed</td>
<td>18039</td>
</tr>
<tr>
<td>207.106 (S-72) added; interim</td>
<td>37653</td>
</tr>
<tr>
<td>Regulation at 74 FR 34264 confirmed</td>
<td>54524</td>
</tr>
<tr>
<td>208.405-70 (b) introductory text amended</td>
<td>45073</td>
</tr>
<tr>
<td>208.405-70 (b) introductory text and (c) introductory text amended</td>
<td>45073</td>
</tr>
<tr>
<td>209.104-1 (g)(i)(A) introductory text amended</td>
<td>35685</td>
</tr>
<tr>
<td>(g)(i)(A) introductory text amended</td>
<td>45073</td>
</tr>
<tr>
<td>209.104-70 (a) amended</td>
<td>45073</td>
</tr>
<tr>
<td>209.405–1 Removed</td>
<td>66680</td>
</tr>
<tr>
<td>209.409 Amended</td>
<td>45073</td>
</tr>
<tr>
<td>209.570–2 Regulation at 74 FR 34298 confirmed</td>
<td>3179</td>
</tr>
<tr>
<td>209.570–3 Regulation at 74 FR 34298 confirmed</td>
<td>3179</td>
</tr>
<tr>
<td>209.571 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–0 Added</td>
<td>45073</td>
</tr>
<tr>
<td>209.571–1 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–2 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–3 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–4 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–5 Added</td>
<td>81913</td>
</tr>
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</tr>
<tr>
<td>209.571–7 Added</td>
<td>81913</td>
</tr>
<tr>
<td>209.571–8 Added</td>
<td>81913</td>
</tr>
<tr>
<td>210.001 (c)(2) added; interim</td>
<td>40716</td>
</tr>
<tr>
<td>211.106 Added; interim</td>
<td>54525</td>
</tr>
<tr>
<td>211.274–5 Redesignated as 211.274–6; new 211.274–5 added</td>
<td>59103</td>
</tr>
<tr>
<td>211.274–6 Redesignated from</td>
<td>59103</td>
</tr>
<tr>
<td>211.503 (b) amended</td>
<td>45073</td>
</tr>
<tr>
<td>212.287 Regulation at 74 FR 34264 confirmed</td>
<td>51416</td>
</tr>
<tr>
<td>Regulation at 74 FR 34264 confirmation delayed</td>
<td>52650</td>
</tr>
<tr>
<td>212.301 (f)(xv) added; interim</td>
<td>47013</td>
</tr>
<tr>
<td>(f)(xv) added; interim</td>
<td>65438</td>
</tr>
<tr>
<td>212.503 Heading revised; (a)(xii) added; interim</td>
<td>27947</td>
</tr>
<tr>
<td>27947</td>
<td></td>
</tr>
<tr>
<td>215.403-5 Removed</td>
<td>71561</td>
</tr>
</tbody>
</table>
### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>215.404–71–3</td>
<td>4277</td>
</tr>
<tr>
<td>215.407–2 (e)(1) amended</td>
<td>45073</td>
</tr>
<tr>
<td>215.408 (3) and (4) removed</td>
<td>48279</td>
</tr>
<tr>
<td>216.401 Added</td>
<td>78619</td>
</tr>
<tr>
<td>216.401–70 Added</td>
<td>78619</td>
</tr>
<tr>
<td>216.405–270 Added; interim</td>
<td>69361</td>
</tr>
<tr>
<td>216.406 Added; interim</td>
<td>69361</td>
</tr>
<tr>
<td>216.504 Revised; interim</td>
<td>40717</td>
</tr>
<tr>
<td>216.505–70 (a)(2), (b) introductory text and (c) introductory text amended</td>
<td>45073</td>
</tr>
<tr>
<td>216.603–2 Added</td>
<td>32642</td>
</tr>
<tr>
<td>217.170 (b), (c) and (d) redesignated as (c), (d) and (e); new (b) added; interim</td>
<td>9115</td>
</tr>
<tr>
<td>(e)(1)(i) revised</td>
<td>45073</td>
</tr>
<tr>
<td>Regulation at 75 FR 9115 confirmed; (b) revised</td>
<td>54526</td>
</tr>
<tr>
<td>217.171 (a)(6) amended</td>
<td>45073</td>
</tr>
<tr>
<td>217.172 (c) through (h) redesignated as (d) through (l); new (c) added; new (d) and (f) revised; interim</td>
<td>9115</td>
</tr>
<tr>
<td>Regulation at 75 FR 9115 confirmed; (d)(2) and (f)(2) introductory text revised</td>
<td>54526</td>
</tr>
<tr>
<td>217.175 Added; interim</td>
<td>34943</td>
</tr>
<tr>
<td>217.202 Revised; interim</td>
<td>32639</td>
</tr>
<tr>
<td>Regulation at 75 FR 32639 confirmed</td>
<td>71563</td>
</tr>
<tr>
<td>217.7401 (a)(2) revised; (a)(3) added; interim</td>
<td>10191</td>
</tr>
<tr>
<td>(d) amended</td>
<td>48277</td>
</tr>
<tr>
<td>Regulation at 75 FR 10191 confirmed</td>
<td>54527</td>
</tr>
<tr>
<td>217.7402 Revised</td>
<td>48277</td>
</tr>
<tr>
<td>217.7405 (c) added</td>
<td>48277</td>
</tr>
<tr>
<td>217.7406 Revised</td>
<td>48277</td>
</tr>
<tr>
<td>217.7800 Regulation at 74 FR 34270 confirmed</td>
<td>6820</td>
</tr>
<tr>
<td>(a) revised; interim</td>
<td>32640</td>
</tr>
<tr>
<td>217.7801 Regulation at 74 FR 34270 confirmed; amended</td>
<td>6820</td>
</tr>
<tr>
<td>Amended; interim</td>
<td>32640</td>
</tr>
<tr>
<td>217.7802 Regulation at 74 FR 34270 confirmed; (a) introductory text revised</td>
<td>6820</td>
</tr>
<tr>
<td>(a)(3) added; interim</td>
<td>32640</td>
</tr>
<tr>
<td>219.201 (d)(10)(A) revised</td>
<td>45074</td>
</tr>
<tr>
<td>219.502–1 (2) amended</td>
<td>45074</td>
</tr>
<tr>
<td>219.502–2 (a)(ii) and (iii) amended</td>
<td>45074</td>
</tr>
<tr>
<td>219.708 (b)(1) revised; interim</td>
<td>65440</td>
</tr>
<tr>
<td>219.1005 (a)(1)(B), (C) and (D) amended</td>
<td>45074</td>
</tr>
</tbody>
</table>

### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>222.7400—222.7404 (Subpart 222.74)</td>
<td>76297</td>
</tr>
<tr>
<td>Added; interim</td>
<td>27947</td>
</tr>
<tr>
<td>Regulation at 75 FR 27947 confirmed</td>
<td>76297</td>
</tr>
<tr>
<td>222.7401 Redesignated as 222.7402; new 222.7401 added</td>
<td>76297</td>
</tr>
<tr>
<td>222.7402 Redesignated as 222.7403; new 222.7402 redesignated from 222.7401</td>
<td>76297</td>
</tr>
<tr>
<td>222.7403 Redesignated as 222.7404; new 222.7403 redesignated from 222.7402 and revised</td>
<td>76297</td>
</tr>
<tr>
<td>222.7404 Redesignated as 222.7405; new 222.7404 redesignated from 222.7403 and revised</td>
<td>76297</td>
</tr>
<tr>
<td>222.7405 Redesignated from 222.7404 and revised</td>
<td>76297</td>
</tr>
<tr>
<td>225.003 Regulation at 74 FR 37651 confirmed</td>
<td>3179</td>
</tr>
<tr>
<td>Regulation at 73 FR 76971 confirmed; (10) introductory text revised</td>
<td>34945</td>
</tr>
<tr>
<td>Amended</td>
<td>81916</td>
</tr>
<tr>
<td>225.103 (a)(ii)(B)(2), (3), (b)(ii)(B) and (C) amended</td>
<td>45074</td>
</tr>
<tr>
<td>225.401–71 Regulation at 73 FR 53152 confirmed; revised</td>
<td>18039</td>
</tr>
<tr>
<td>Revised</td>
<td>81916</td>
</tr>
<tr>
<td>225.403 (c)(iii) added</td>
<td>81916</td>
</tr>
<tr>
<td>225.502 Regulation at 73 FR 53152 confirmed</td>
<td>18039</td>
</tr>
<tr>
<td>(a) added</td>
<td>81916</td>
</tr>
<tr>
<td>225.7003–3 (b)(2)(ii) removed</td>
<td>6820</td>
</tr>
<tr>
<td>225.7003–5 (c) removed; (d) and (e) redesignated as new (c) and (d)</td>
<td>48280</td>
</tr>
<tr>
<td>225.1101 Regulation at 73 FR 53152 confirmed</td>
<td>18039</td>
</tr>
<tr>
<td>(11)(i) introductory text, (A) and (B) amended; interim</td>
<td>32638</td>
</tr>
<tr>
<td>Regulation at 75 FR 32639 confirmed</td>
<td>66680</td>
</tr>
<tr>
<td>Revised</td>
<td>81916</td>
</tr>
<tr>
<td>Revised</td>
<td>81916</td>
</tr>
<tr>
<td>225.7002–2 Regulation at 73 FR 76971 confirmed; (m)(2) revised</td>
<td>34945</td>
</tr>
<tr>
<td>225.7009–2 Revised</td>
<td>76500</td>
</tr>
<tr>
<td>225.7204 (a), (b) and (c) amended</td>
<td>45074</td>
</tr>
<tr>
<td>225.7501 (b)(1)(iii) redesignated as (b)(1)(iv); new (b)(1)(iii) added; (b)(2) revised</td>
<td>81917</td>
</tr>
<tr>
<td>225.7503 (a) and (b) amended; interim</td>
<td>32638</td>
</tr>
<tr>
<td>Regulation at 75 FR 32638 confirmed</td>
<td>66680</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Revised</td>
<td>81918</td>
</tr>
<tr>
<td>235.700—225.7093—5 (Subpart 225.77) confirmed</td>
<td>18039</td>
</tr>
<tr>
<td>Revised</td>
<td>81918</td>
</tr>
<tr>
<td>225.7701 Amended</td>
<td>18039</td>
</tr>
<tr>
<td>225.7703—2 (b)(2)(i) introductory text revised; (b)(2)(i)(E) added</td>
<td>18039</td>
</tr>
<tr>
<td>(b)(2)(i) and (ii) amended</td>
<td>45074</td>
</tr>
<tr>
<td>225.7703—4 Introductory text revised</td>
<td>18039</td>
</tr>
<tr>
<td>225.7703—5 (d) revised; (e)(4) removed; (e)(5) through (8) redesignated as new (e)(4) through (7); (f) added</td>
<td>18039</td>
</tr>
<tr>
<td>225.7704 Added</td>
<td>81918</td>
</tr>
<tr>
<td>225.7704—1 Added</td>
<td>81918</td>
</tr>
<tr>
<td>225.7704—2 Added</td>
<td>81918</td>
</tr>
<tr>
<td>225.7704—3 Added</td>
<td>81918</td>
</tr>
<tr>
<td>227.7100 Regulation at 74 FR 61044 confirmed</td>
<td>54527</td>
</tr>
<tr>
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</tr>
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</tr>
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</tr>
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<td>228.102—1 (1) amended</td>
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</tr>
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<td>231.201—2 Removed</td>
<td>48279</td>
</tr>
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<td>231.203 Removed</td>
<td>48279</td>
</tr>
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<td>231.205—19 Added</td>
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<tr>
<td>232.401 (a)(9) amended</td>
<td>45074</td>
</tr>
<tr>
<td>232.502—1 (b)(1) amended</td>
<td>45074</td>
</tr>
<tr>
<td>232.901 Added; interim</td>
<td>40713</td>
</tr>
<tr>
<td>232.908 Added; interim</td>
<td>40714</td>
</tr>
<tr>
<td>234.004 Regulation at 73 FR 4118 confirmed</td>
<td>18035</td>
</tr>
<tr>
<td>234.005—1 Regulation at 75 FR 32639 confirmed</td>
<td>71563</td>
</tr>
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<td>234.005—1 Added; interim</td>
<td>32639</td>
</tr>
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<td>234.702 Regulation at 74 FR 34264 confirmed</td>
<td>51416</td>
</tr>
<tr>
<td>Regulation at 74 FR 34264 confirmation delayed</td>
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<tr>
<td>234.7100—234.7101 (Subpart 234.71) Added</td>
<td>71561</td>
</tr>
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<td>235.006 Regulation at 73 FR 4118 confirmed</td>
<td>18035</td>
</tr>
</tbody>
</table>

### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Regulation at 75 FR 42278 confirmed</th>
<th>18034</th>
</tr>
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<tbody>
<tr>
<td>235.071 Regulation at 75 FR 42278 confirmed</td>
<td>18034</td>
</tr>
<tr>
<td>Revised</td>
<td>81918</td>
</tr>
<tr>
<td>237.101 Amended</td>
<td>71564</td>
</tr>
<tr>
<td>237.102—72 Regulation at 74 FR 34269 confirmed</td>
<td>3179</td>
</tr>
<tr>
<td>237.102—73 Added</td>
<td>71564</td>
</tr>
<tr>
<td>237.102—74 Added</td>
<td>78619</td>
</tr>
<tr>
<td>237.170—2 (a)(1) and (2) amended</td>
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</tr>
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<td>237.172 Added</td>
<td>22706</td>
</tr>
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<td>237.173 Added; interim</td>
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</tr>
<tr>
<td>237.173—1 Added; interim</td>
<td>67633</td>
</tr>
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<td>67633</td>
</tr>
<tr>
<td>237.173—3 Added; interim</td>
<td>67633</td>
</tr>
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<td>237.173—4 Added; interim</td>
<td>67633</td>
</tr>
<tr>
<td>237.173—5 Added; interim</td>
<td>67633</td>
</tr>
<tr>
<td>237.503 (Subpart 237.5) Added; interim</td>
<td>54525</td>
</tr>
<tr>
<td>237.700—237.7093 (Subpart 237.76) Added; interim</td>
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</tr>
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<td>Regulation at 75 FR 10193 confirmed; revised</td>
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<td>243.204—70 Redesignated</td>
<td>48278</td>
</tr>
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<td>243.204—71; new 243.204—70 added</td>
<td>48278</td>
</tr>
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<td>48278</td>
</tr>
<tr>
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</tr>
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</tr>
<tr>
<td>243.204—70—7 Added</td>
<td>48278</td>
</tr>
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<td>51417</td>
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<tr>
<td>247.104—247.105 (Subpart 247.1) Removed</td>
<td>51417</td>
</tr>
</tbody>
</table>
### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2—Continued</td>
<td></td>
</tr>
<tr>
<td>247.200 Revised</td>
<td>51417</td>
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</tr>
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<td>51417</td>
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</tr>
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</tr>
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<td>247.272 Redesignated as 247.371; new 247.372 redesignated from 247.373</td>
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</tr>
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<td>247.275–4 (f) added; interim</td>
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</tr>
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<td>250.102–1 (b) amended</td>
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<td>252.204–7007 Clause amended</td>
<td>25119</td>
</tr>
<tr>
<td>252.204–7008 Regulation at 73 FR 42278 confirmed; revised</td>
<td>18034</td>
</tr>
</tbody>
</table>

### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>250.203–7003 Added</td>
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<td>252.209–7002 Clause amended; interim</td>
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</tr>
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</tr>
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<td>252.215–7000 Introductory text revised; Alternate I added</td>
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<td>49849</td>
</tr>
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</tr>
<tr>
<td>252.217–7003 Removed</td>
<td>48279</td>
</tr>
<tr>
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</tr>
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<td>48279</td>
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<td>Added</td>
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</tr>
<tr>
<td>252.219–7003 Revised; interim</td>
<td>65440</td>
</tr>
<tr>
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<td>65440</td>
</tr>
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</tr>
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<td>3179</td>
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<td>CFR Section</td>
<td>Action</td>
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<td>Regulation at 73 FR 53155 confirmed</td>
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<td>252.225-7023</td>
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<td>252.225-7024</td>
<td>Regulation at 73 FR 53155 confirmed; clause amended</td>
</tr>
<tr>
<td>252.225-7026</td>
<td>Clause amended</td>
</tr>
<tr>
<td>252.225-7029</td>
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<tr>
<td>252.225-7032</td>
<td>Regulation at 73 FR 53155 confirmed</td>
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<tr>
<td>252.225-7033</td>
<td>Regulation at 73 FR 53156 confirmed</td>
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<tr>
<td>252.225-7035</td>
<td>Regulation at 73 FR 53156 confirmed</td>
</tr>
<tr>
<td>252.225-7044</td>
<td>Clause amended</td>
</tr>
<tr>
<td>252.225-7045</td>
<td>Regulation at 74 FR 37651 confirmed</td>
</tr>
<tr>
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<td>Regulation at 74 FR 61044 confirmed</td>
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<tr>
<td>252.227-7015</td>
<td>Regulation at 74 FR 61045 confirmed</td>
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<tr>
<td>252.228-7001</td>
<td>Revised</td>
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<tr>
<td>252.228-7002</td>
<td>Removed</td>
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<tr>
<td>252.228-7003</td>
<td>Introductory text amended</td>
</tr>
<tr>
<td>252.228-7005</td>
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</tr>
</tbody>
</table>
### List of CFR Sections Affected

#### 48 CFR—Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Action</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>217.174</td>
<td>Removed; new 217.174 redesignated from 217.175; (b) revised</td>
<td>11367</td>
</tr>
<tr>
<td>227.7102-2 Amended</td>
<td>11367</td>
<td></td>
</tr>
<tr>
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<td>58147</td>
<td></td>
</tr>
<tr>
<td>227.7102-4 Redesignated from 227.7102-3 and revised</td>
<td>58147</td>
<td></td>
</tr>
<tr>
<td>227.7102-5 (c)(2) and (4) revised; interim</td>
<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.7103-5 (c) revised</td>
<td>58147</td>
<td></td>
</tr>
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<td>58147</td>
<td></td>
</tr>
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<td>227.7104 Amended</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.7203-5 (c)(1) revised</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.7203-6 (a)(1) amended</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.7203-13 (d), (e) and (f) redesignated as (e), (f) and (g); new (d) added</td>
<td>58148</td>
<td></td>
</tr>
<tr>
<td>227.7203-14 (b)(2)(i) amended</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.7002-1 (b) revised</td>
<td>58147</td>
<td></td>
</tr>
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<td>227.7002-2 (b) introductory text revised; interim</td>
<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.702 Amended; interim</td>
<td>11374</td>
<td></td>
</tr>
<tr>
<td>227.702-71 (a)(2) amended</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.706 (d) added</td>
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<td>58147</td>
<td></td>
</tr>
<tr>
<td>227.706-70 (a) amended</td>
<td>58156</td>
<td></td>
</tr>
<tr>
<td>227.709 (a)(1) introductory text, (2)(i) and (b) introductory text amended</td>
<td>58156</td>
<td></td>
</tr>
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<td>58156</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>227.704 Amended</td>
<td>25566</td>
<td></td>
</tr>
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<td>227.706 Amended</td>
<td>25566</td>
<td></td>
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<td>58156</td>
<td></td>
</tr>
<tr>
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<td>58156</td>
<td></td>
</tr>
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<td>58156</td>
<td></td>
</tr>
<tr>
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<td>58156</td>
<td></td>
</tr>
<tr>
<td>227.7102-2 Amended; interim</td>
<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.7102-3 Amended</td>
<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.7102-4 Redesigned from 227.7102-3 and revised</td>
<td>58147</td>
<td></td>
</tr>
<tr>
<td>227.7103-5 (c)(2) and (4) revised; interim</td>
<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.7103-6 (a) revised</td>
<td>58147</td>
<td></td>
</tr>
<tr>
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<td></td>
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</tr>
<tr>
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<td>3537</td>
<td></td>
</tr>
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<td>227.7203-13 (d), (e) and (f) redesignated as (e), (f) and (g); new (d) added</td>
<td>58148</td>
<td></td>
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<td>227.7203-14 (b)(2)(i) amended</td>
<td>3537</td>
<td></td>
</tr>
<tr>
<td>227.7002-1 (b) revised</td>
<td>58147</td>
<td></td>
</tr>
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<td>11367</td>
<td></td>
</tr>
<tr>
<td>227.7002-3 and revised</td>
<td>58147</td>
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<td></td>
</tr>
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<td>227.7002-4 Redesigned from 227.7002-3 and revised</td>
<td>58147</td>
<td></td>
</tr>
<tr>
<td>227.7002-5 (c)(2) and (4) revised; interim</td>
<td>11367</td>
<td></td>
</tr>
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<td>58147</td>
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### 48 CFR—Continued

#### Chapter 2—Continued

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### 48 CFR—Continued

#### Chapter 2—Continued

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654
## List of CFR Sections Affected

**48 CFR—Continued**

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Chapter 2 Appendix A corrected; CFR correction since 76 FR 11969

Appendix A amended since 76 FR 27275

Appendix F revised since 76 FR 58125

Appendix I amended since 76 FR 58138