



DEPARTMENT OF THE NAVY
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IN REPLY REFER TO

29 Apr 03

From: Commander, Naval Facilities Engineering Command

Subj: ENVIRONMENTAL COST REIMBURSEMENT CONTRACT MANUAL
03-04 AM

Ref: (a) NAVFAC P-1092, "RAC Contract Manual", of Oct 1995
(b) NAVFAC P-1070, "CLEAN Contract Manual", of Jul 1992

Encl: (1) NAVFAC P-1160, "Environmental Cost Reimbursement Contract Manual"

1. This letter forwards and formally issues enclosure (1), which replaces references (a) and (b). Accordingly, references (a) and (b) are superseded and cancelled. Enclosure (1) formalizes the concepts, policies, and procedures used by the Naval Facilities Engineering Command (NAVFACENGCOM) in preparing, administering, and managing environmental cost reimbursement contracts. The new manual incorporates updates and numerous changes that have occurred in the program, streamlines procedures, develops a structured approach to our environmental contracting, and continues our efforts in ensuring common corporate business processes and procedures. A working group, consisting of environmental and acquisition personnel throughout NAVFACENGCOM with extensive working experience and knowledge of the environmental program, was tasked with the rewrite.

2. NAVFACENGCOM's use of environmental cost reimbursement contracts has been through the Comprehensive Long-Term Environmental Action, Navy (CLEAN) contracts for environmental engineering services for site investigations and studies, designs, interim remedial actions, and other environmental services and the Remedial Action Contract (RAC) to conduct the environmental cleanup and remedial action at identified hazardous waste sites. It is essential that all NAVFACENGCOM personnel involved in the preparation, execution, and administration of environmental cost reimbursement contracts have a thorough understanding of the requirements prescribed by the U.S. Environmental Protection Agency, the Federal Acquisition Regulation (FAR), and other pertinent Department of Defense and Navy directives. This manual provides the necessary guidance and direction to ensure proper execution and administration of the environmental cost reimbursement contracts.

3. Commanders, Commanding Officers, and Directors shall follow the concepts, policies and procedures set forth in enclosure (1) and shall be used by NAVFACENGCOM in preparing, administering and managing environmental cost reimbursement contracts.

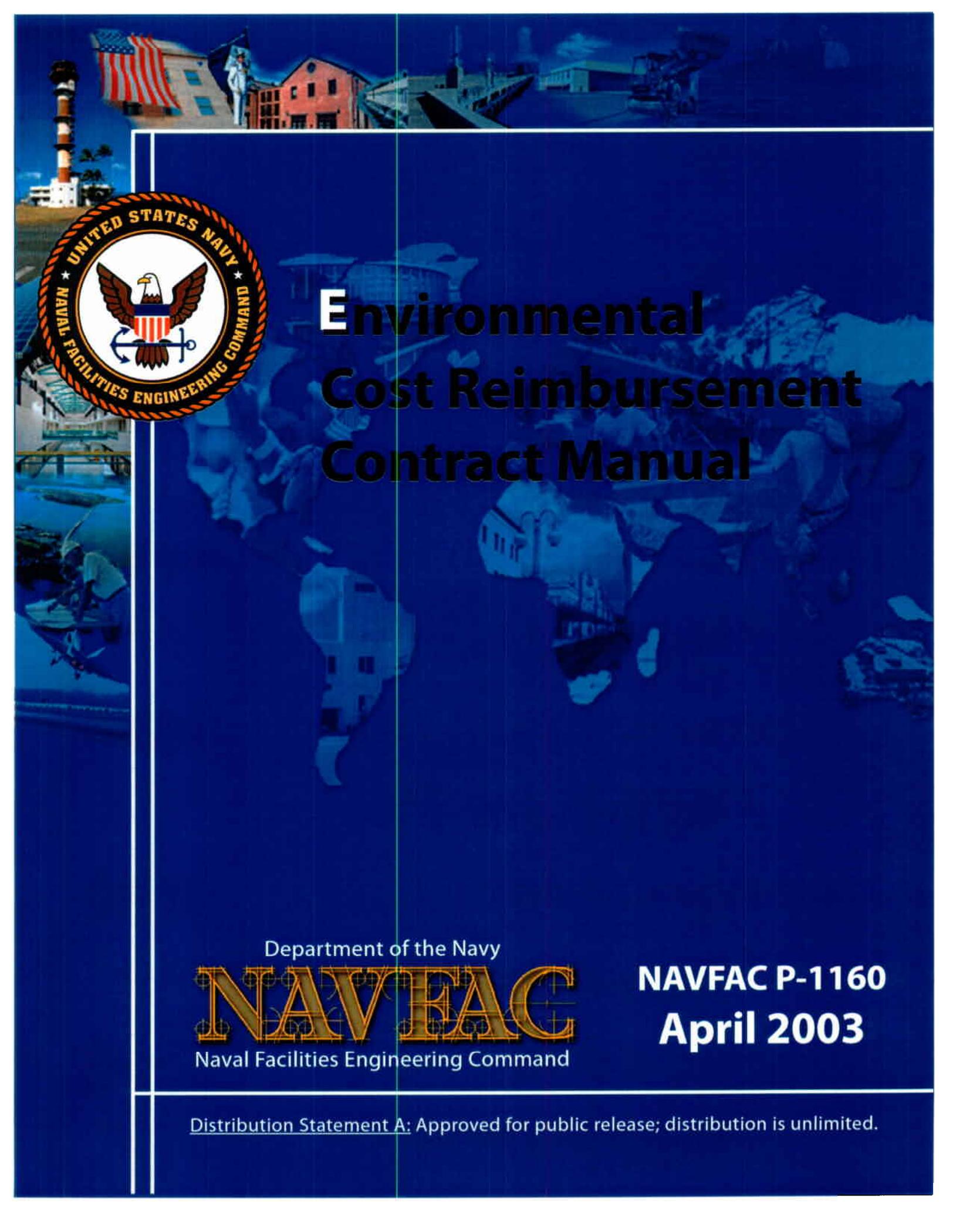
4. We will continue to strive for improvements in efficiency and effectiveness and look forward to continued success in our environmental program.

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Director, Acquisition

S. L. ALLISON
Director, Environment

Subj: ENVIRONMENTAL COST REIMBURSEMENT CONTRACT MANUAL

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Environmental Cost Reimbursement Contract Manual

Department of the Navy

NAVFAC

Naval Facilities Engineering Command

NAVFAC P-1160
April 2003

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ENVIRONMENTAL COST REIMBURSEMENT CONTRACT MANUAL

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FOREWORD

This manual formalizes the concepts, policies, and procedures used by the Naval Facilities Engineering Command (NAVFACENGCOM) in preparing, administering, and managing Environmental Cost Reimbursement Contracts. In addition to the concepts, policies, and procedures, NAVFACENGCOM is implementing common business practices across the EFD/As as a key element in managing our business strategy. This includes a continuous examination of areas in the program where we can achieve cost savings, performance efficiencies, streamlined processes, and innovative approaches. The common business practices that have been implemented and included in the concepts, policies, and procedures are:

- Paperless Initiative. Implemented for the administration of environmental contracts in support of DOD requirement to implement a paper-free contracting process.
- Proposal Funding. EFD/A have discretion to move proposal preparation costs out of the Project Management Office (PMO) and into a Contract Task Order (CTO).
- Invoicing. Paperless invoicing is being implemented by all EFD/As. Monthly paperless invoicing will be included in the Award Fee factors for all cost reimbursement contracts after this change is negotiated.
- Contract Task Order Close-outs. – EFD/As are to have an effective close-out management control system in place for all cost reimbursement contracts.

Other common business practices under development are:

- Award Fee. A common business practice for a streamlined award fee evaluation is being developed.
- Government Property. Provide oversight of the contractor's Government Property (GP) administrative procedures and establish sound business practices to maintain a program for the use, maintenance, repair, protection and preservation of all GP provided under the cost reimbursement contracts.
- Environmental Multiple Award Contract (EMAC) Administration Manual. An EMAC Contract Administration Manual may be developed.

It is essential that all NAVFACENGCOM personnel involved in the preparation, execution, and administration of environmental cost reimbursement contracts have a thorough understanding of the requirements prescribed by the U. S. Environmental Protection Agency, the Federal Acquisition Regulation, and other pertinent Department of Defense and Navy directives. The objective of this manual is to provide guidance and direction to ensure proper award and administration of the environmental cost reimbursement contracts.

LIST OF ACRONYMS

ACO	Administrative Contracting Office
AF	Award Fee
AFB	Award Fee Board
ASPM	Armed Services Pricing Manual
BCM	Business Clearance Memorandum
BMS	Business Management System
BRAC	Base Realignment and Closure
CAS	Cost Accounting Standards
CCO	Chief of Contracting Office
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CLEAN	Comprehensive Long-term Environmental Action, Navy
CNO	Chief of Naval Operations
CO	Commanding Officer
COR	Contracting Officer Representative
COTR	Contracting Officer Technical Representative
CPAF	Cost Plus Award Fee
CPSR	Contractor Purchasing System Review
CTO	Contract Task Order
D&F	Determination and Findings
DBA	Davis Bacon Act
DCAA	Defense Contract Audit Agency
DCMC	Defense Contract Management Command
DERA	Defense Environmental Restoration Account
DFARS	Defense Federal Acquisition Regulation Supplement
DIPEC	Defense Industrial Plant Equipment Center
DoD	Department of Defense
EC	Environmental Coordinator
ECES	Environmental Cost Element Structure
EFD	Engineering Field Division
EFA	Engineering Field Activity
EIC	Engineer In Charge
EPA	Environmental Protection Agency
ER,N	Environmental Restoration, Navy
FAR	Federal Acquisition Regulation
FCCM	Facilities Capital Cost of Money
FDO	Fee Determining Official
FFP	Firm Fixed Price
G&A	General and Administrative
GE	Government Estimate
GFP	Government Furnished Property
GPA	Government Property Administrator

HTRW	Hazardous, Toxic, and Radiological Wastes
HW	Hazardous Wastes
IR	Installation Restoration
JTR	Joint Travel Regulation
MIS	Management Information System
NAPS	Navy Acquisition Procedures Supplement
NFACT	Naval Facilities Acquisition Center for Training
NFAS	NAVFAC Acquisition Supplement
NOV	Notice of Violation
NPL	National Priority List
NTR	Navy Technical Representative
OA	Obligation Authority
OICC	Officer in Charge of Construction
ODC	Other Direct Cost
PA	Pollution Abatement
PAO	Public Affairs Officer
PCAS	Post Construction Award Services
PCB	Polychlorinated Biphenyl
PCO	Procurement Contracting Officer
PLA	Procurement Liaison Auditor
PMO	Program Management Office
QA	Quality Assurance
QAPP	Quality Assurance Project Plan
QC	Quality Control
RAC	Remedial Action Contract
RCRA	Resource Conservation and Recovery Act
RFI	Request for Information
RFP	Request for Proposal
RI/FS	Remedial Investigation/Feasibility Study
ROD	Record of Decision
ROICC	Resident Officer in Charge of Construction
RPM	Remedial Project Manager
SARA	Superfund Amendments and Reauthorization Act
SBA	Small Business Administration
SCA	Service Contract Act
SECNAV	Secretary of the Navy
SOW	Statement of Work
UST	Underground Storage Tank
UXO	Unexploded Ordnance
WBS	Work Breakdown Structure

CONTRACT MANUAL ENVIRONMENTAL COST PLUS AWARD FEE TYPE

CHAPTER I

INTRODUCTION

1. BACKGROUND

The Navy participates in the Department of Defense (DoD) Environmental Restoration, Navy (ER,N) Program. The program includes preventive actions as well as restoration of sites damaged in the past. Naval Facilities Engineering Command (NAVFACENGCOM) serves as the technical expert and provides centralized environmental funding through the ER,N and the Base Realignment and Closure (BRAC) Act funds.

Cost reimbursement contracts are important contractual vehicles used to conduct environmental study and cleanup actions at identified hazardous waste sites. The sites will consist of those ranked on the Superfund National Priority List (NPL) as well as non-NPL sites, Resource Conservation and Recovery Act (RCRA), underground storage tanks (UST), and other sites.

2. IMPACT OF STATUTES AND REGULATIONS

a. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 USC Sect. 9601 et seq., authorized federal action to respond to the release or threatened release of hazardous substances into the environment. Also known as the "Superfund" Law, it authorized a Trust Fund to be used by the Environmental Protection Agency (EPA) to clean up emergency and long-term hazardous waste problems. Congress created a separate fund, the ER,N, for DoD.

b. The Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law 99-499, extended the CERCLA-established funds. It also codified the Defense Environmental Restoration Program. Spill prevention, hazardous substance control, training in response, and notification to local emergency planners are some of the topics covered.

c. The National Contingency Plan written in 1985 is the basic regulation that implements CERCLA and establishes procedures such as an Uncontrolled Hazardous Waste Site Ranking System and the NPL.

d. RCRA of 1976 established a national strategy for the management of hazardous wastes. It applies to current operations, whereas CERCLA covers past disposals and spills.

e. The Solid Waste Disposal Act is the basic law that underlies RCRA. It provides for the cradle-to-grave management of hazardous and solid wastes in order to avoid threats to human health or environmental damage.

f. The Clean Water Act of 1967, as amended, supports the effort to restore and maintain the quality of the Nation's waters.

g. The Clean Air Act of 1970 establishes air quality standards and mandates that federal agencies comply with state statutes and regulations regarding clean air. This Act was renewed in 1991.

h. CERCLA and SARA also require that other federal laws and more stringent state laws be considered when doing the Remedial Investigation/Feasibility Study (RI/FS).

i. The Toxic Substances Control Act governs the disposal of specific substances such as asbestos and Polychlorinated Biphenyls (PCBs). Since NAVFACENGCOM does not manufacture chemicals, the applicable requirement is that we monitor and report to the Chief of Naval Operations (CNO) on disposal of these substances through a manifest system which tracks their disposal.

j. OPNAVINST 5090.1B CH-2 of 9 September 1999 applies for other pertinent laws, executive orders, regulations, and instructions that may apply to the specific contract in question.

3. COST PLUS AWARD FEE CONTRACT CHARACTERISTICS

A Cost Plus Award Fee (CPAF) type of contract has been selected for the Comprehensive Long term Environmental Action, Navy (CLEAN) contracts and Remedial Action Contracts (RACs) in an attempt to increase our control of contract management and obtain the greatest performance value for a controlled amount of Contractor fee. Use of this type of contract requires consideration of the following special elements:

a. Risk Allocation. The contractor assumes minimal risk when a CPAF contract is used since all reasonable, allowable, and allocable costs will be reimbursed. The Contractor may remain liable under standard liability concepts for rework and any penalties or fines assessed for unprofessional performance.

b. Flexibility. An estimated budget is negotiated up front, and the actual requirements can vary as the work progresses. An overrun exceeding the original estimated budget may occur without any increase in scope if the original estimate was too low for the effort required. In such cases, no modification is necessary until the percentage of total costs specified in the Limitation of Cost Clause, FAR 52.232-20, is reached. The Contracting Officer's Representative (COR) (formerly Contracting Officer Technical Representative (COTR)) or Navy Technical Representative (NTR) shall notify the Procurement Contracting Officer (PCO) and/or Administrative Contracting Officer (ACO) of any deviations or expenditures in excess of cost estimates. When a change in scope occurs which results in an increase or decrease in the estimated budget, a modification must be negotiated. The Contracting Officer will decide if the change is in scope (not fee bearing) or out of scope (fee bearing).

c. Completion of Work. Contract Task Orders (CTOs) will define the work required and identify specific deliverables. The Contractor is not required to incur costs beyond the estimated budget. All reasonable costs of performance within the original estimated budget are paid even if the Contractor fails to complete the task. Only award fee can be lost for failure to perform the work required in an acceptable manner. Only sufficient monitoring can determine whether the work should have been accomplished at approximately the amount budgeted. Monitoring is necessary to provide the appropriate award fee for the work performed even if tasks are not delivered as originally planned.

d. Award Fee (AF). Selection of the Contractor via formal source selection or Brooks Act procedures should ensure that only a highly competent Contractor receives a CLEAN or RAC award. It is, therefore, appropriate to achieve maximum incentive for excellent performance by

setting the base fee at 0% and the evaluated AF at an amount not to exceed the limit (currently 10% of the CTO total). AF potential is subject to limitation (currently 10% of the CTO total per NAVFAC policy). Earned fee is in direct proportion to the quality of the performance evaluated in accordance with previously stated criteria. Cost control should be one of the criteria. The Fee Determining Official (FDO) needs to be reasonable in making a subjective evaluation. Therefore, the Contractor's earned AF is dependent upon the degree to which the Contractor performed the requirements contained in the Statement of Work (SOW) for each CTO as evaluated by the FDO. The performance evaluation is subject to dispute under the Disputes Act. Appendix A contains the Award Fee Plan.

4. PRE-SOLICITATION REQUIREMENTS

a. Documentation of Contract Type. FAR 16.103(d) requires documentation to show why the particular contract type was selected if other than a firm fixed-price basis.

b. Source Selection Plan. The Source Selection Plan for RAC will follow current NAVFAC approval policy. The Acquisition Plan shall be submitted as an attachment to the Source Selection Plan.

c. Brooks Act Procurement. The Acquisition Plan for CLEAN contracts will follow current NAVFAC approval policy.

CHAPTER II

SOLICITATION

1. STATEMENT OF WORK

a. Program Management. The Navy is committed to the remediation of shore activities at which past waste disposal practices have resulted in contamination of ground water or any other media and to the elimination of potential adverse health effects to the general population.

b. Environmental Cost Reimbursement Actions. A list of services which may be required of the Contractor (not intended to be comprehensive) includes:

- performing remedial investigations and studies;
- performing remedial actions;
- performing removal actions;
- performing expedited and emergency response actions at sites;
- performing pilot and treatability studies;
- providing facility operation, maintenance and instruction; and,
- performing other related activities associated with returning sites to safe and acceptable levels.

c. Contaminants. The contaminants include, but are not limited to, those identified and regulated under RCRA, CERCLA, Toxic Substances Control Act, and Solid Waste Disposal Act. The contaminants include solvents; petroleum, oils and lubricants; metals; acids; bases; reactives; non-explosive ordnance residues or compounds; PCBs; pesticides; radioactive materials; nuclear, biological and chemical warfare agents; and unexploded ordnance. Contaminants may be present in soils, sediments, ground water, air, sludge, surface water, and man-made structures. Contaminated sites may be landfills, hazardous waste treatment storage and disposal facilities, tanks, lagoons, firefighting training areas, or any other facilities.

d. Geographic Scope. Contracts will be awarded primarily for a given geographical area, usually for which the Engineering Field Division/Activity (EFD/A) has cognizance. The solicitation must state the geographical area within which work is anticipated. Also the solicitation should specify if work will be concentrated at certain locations within the broader geographical area. Geographic scope should reflect the need for use of the contract and should be specifically stated in the contract.

2. TERM/USE OF OPTION PERIODS

The performance period selected for environmental cost reimbursement contracts is a base year with four one-year option periods. Any period greater than that requires a written determination signed by the Acquisition Proponent. In the future, contracts may reflect the potential for additional award option and/or capacity as an incentive for exemplary performance.

3. ORGANIZATIONAL CONFLICT OF INTEREST

Potentials for conflict exist due to the long-term nature of site investigation and subsequent remedial action as well as merger activity within the environmental industry. The solicitation

shall include NFAS Clause 5252.209-9300, Alternate I, Organizational Conflicts of Interest. The Contractor must further agree to insert in any subcontract or consultant agreement provisions that conform substantially to the language of the NFAS Clause.

a. Contractor's Disclosure. NFAS Clause 5252.209-9300, Alternate I, further requires the Contractor to "provide a statement with his bid or proposal which concisely describes all relevant facts concerning any past, present, or currently planned interest (financial, contractual, organizational, or otherwise) relating to the work to be performed hereunder." The Contractor must warrant that to the best of the Contractor's knowledge and belief, there are no relevant facts or circumstances which could give rise to an organizational conflict of interest, as defined in FAR Subpart 9.5, or that the Contractor has disclosed all such relevant information prior to award. If a potential conflict is discovered after award, the Contractor must make a full disclosure in writing to the Contracting Officer. This disclosure shall include a description of actions which the Contractor proposes to take, after consultation with the Contracting Officer, to avoid, mitigate, or neutralize the conflict of interest.

b. Notification of Intent to Compete for Similar Work. The Contractor should notify the Contracting Officer, in writing, of its intention to compete for, or accept the award of, any contract for similar or related work for any DoD, other agency of the federal government, or state regulatory agency which may involve Navy sites.

c. Remedies. The Government can terminate the contract for convenience, in whole or in part, if it deems such termination necessary to avoid an organizational conflict of interest. For example, the PCO may award a separate cleanup contract for a base where it has been determined that an organizational conflict of interest exists on which the Contractor participated in the studies or remedial design under a separate Architect-Engineer design. If the Contractor was aware of a potential organizational conflict of interest prior to award or discovered an actual or potential conflict after award and did not disclose or misrepresented relevant information to the Contracting Officer, the Government may terminate the contract for default, debar the Contractor, or pursue other remedies as may be permitted by law.

4. TRUTH IN NEGOTIATION ACT (TINA) REQUIREMENTS

TINA is generally applicable to negotiated cost reimbursement contracts over \$500,000 in value. However, the requirement for a Certificate of Current Cost or Pricing Data does not apply in cases of adequate price competition, which we expect to obtain in the RAC solicitation and award process. The establishment of ceilings on wage rates and indirect rates ensures that we will continue to receive the effect of the initial pricing competition on subsequent CTO negotiations. The Contracting Officer retains the authority to request Cost and Pricing Data certification whenever it is deemed necessary.

5. PROVISION FOR OVERALL MANAGEMENT

Some mechanism must be used to permit the Contractor to charge for certain expenses that cannot logically be direct charged to individual CTOs but are a unique requirement of the contract. If in accordance with its accounting system the Contractor does not charge these expenses to an indirect pool, they must be charged directly to the contract in some manner, normally by a separate management CTO. The solicitation should state that Program Management Office (PMO) type effort will be compensated in a manner consistent with the Contractor's accounting system. Certain costs may be allocated to the PMO at the discretion of the EFD/A Contracting Officer.

6. MISCELLANEOUS PROVISIONS

Some additional differences exist from usual solicitation provisions. The Contractor's work is subject to inspection by state and federal regulatory agencies as well as the usual inspection by the NAVFACENGCOM COR/NTR. Various program management reports, such as a Contract Management Plan, Quality Control (QC) Management Plan, progress and analytical reports, etc., must be described and a delivery period established. Limitation of Funds and Availability of Funds clauses are required. Small Business considerations are the same as those required for any other contract. Health and Safety training requirements must be addressed which satisfy the latest Occupational Safety and Health Administration (OSHA)/EPA/NSC regulations. Purchasing and Property Control Systems will be addressed separately.

CHAPTER III

NEGOTIATION OF THE CONTRACT

1. CLEAN PROPOSAL

a. Technical Proposal

Standard Forms 254/255 shall be used and shall address the evaluation criteria specified in FAR 36.602-1 and DFARS 236.602-1 and current policies. Standard Brooks Act selection procedures should be used in selecting the preferred firm. Interviews should be conducted with no fewer than three firms. Once selection of the preferred firm is completed, local procedures for debriefing unsuccessful offerors should be performed. After the selected firm is approved, a statement of financial capability and other supporting documentation should be requested. Negotiations should then commence with the preferred firm.

b. Cost Proposal

Negotiation of a CLEAN contract should commence with the establishment of a CTO for PMO. This proposal should include a list of key personnel, including, but not limited to, the program manager, lead project managers, contract administrator, health and safety officer, and quality control manager. Also the Contractor should provide a list of all personnel or a list of category rates to be used during the contract. These rates should be consistent with company practices. The proposal should also include all indirect cost rates, including facilities capital cost of money (FCCM), if applicable. These rates are to be capped for the life of the contract based on volume of anticipated work. Rate caps should be set forth in the contract. Hourly rates should be reestablished at the start of each option period. Award fee shall not exceed the limit (currently 10%) set forth in the contract, and an award fee plan shall be incorporated into the contract award. The cost proposal should be audited by the cognizant Defense Contract Audit Agency (DCAA), and the audit should include discussion of the adequacy of the Contractor's accounting system. The Contractor should have all necessary system approvals prior to award. Forms included in Attachment 1 can be used or modified for use during CLEAN solicitation and negotiation procedures or local forms can be used.

2. RAC PROPOSAL

a. Technical Proposal

Formal source selection procedures in the Business Management System (BMS) are to be followed. In addition, criteria should meet current NAVFAC requirements as to the validity and weight of various aspects of the technical proposal. Due to the large dollar volume and environmental program visibility, it is particularly important to establish criteria which are specific enough to make a valid selection. Interested parties should be given as complete a SOW as possible before they prepare their technical proposal. In addition to technical ability, requirements for a RAC include: the ability to maintain financial and management systems which meet formal Cost Accounting Standards (CAS); to practice a high degree of cost control; to administer a Property Control System and a Purchasing System which meet FAR standards; to invest a sufficient amount of working capital to maintain cash flow on a large scale; and to promote subcontracting opportunities for all current small business programs and, in the case of closing bases, for local businesses. Information from team subcontractors is required if the

Prime has based his qualifications on the abilities of specific subs. Evaluation of technical proposals is based on the joint qualifications of the team as a whole.

b. Cost Proposal

Due to the mature nature of the environmental industry and the availability of cost history from prior RACs, the evaluation of the cost proposal can be performed without a sample project. The cost proposal should contain adequate information to ensure a consistent evaluation between each of the offerors and to determine cost reasonableness and realism. The cost/price evaluation criteria will be based on the reasonableness of the proposed direct and indirect rates, whether proposed direct and indirect rates are verifiable, and whether proposed direct and indirect rates are consistent with disclosed accounting practices. Cost realism pertains to the offeror's ability to project costs, which can be reasonably expected to be incurred in the performance of the resulting contract. The nature of the cost proposal can be left to the EFD/A and is subject to NAVFAC Headquarters review. As a minimum, it should include a description of application of all indirect cost rates and CAS compliance. The DCAA Procurement Liaison Auditor (PLA) can assist in developing this criteria.

The cost proposal should include relevant information such as a description of the application of indirect rates and cost of money factors, CAS Disclosure Statement, Forward Pricing Rates, prior years' rate history, current factors influencing the rates, and discuss how the cost proposal compares with other company operations. As a minimum, the following must be addressed in the cost proposal:

- Form 1 Direct Labor Rate Submission Professional Personnel
- Form 2 Indirect Rate and Award Fee Rate Projection Form
- Form 3 Indirect Rates and Fee Application Form
- Form 4 Identification of Uncompensated Overtime Ratios
- Form 5 Service Contract Act and Davis Bacon Act Ceiling Labor Rates

Sample forms are included as Attachment (1) to be utilized to assist in this evaluation. However, EFD/As may develop other evaluation techniques to address these criteria.

CHAPTER IV

AWARD OF THE CONTRACT

1. AWARD REQUIREMENTS

Award will be accomplished as with any other type of negotiated contract that utilizes Brooks Act or source selection procedures. Every effort should be made to issue all contract and technical documentation in the appropriate paperless environment (SPS, NAFI, ESOL, etc.). Description of some procedures applicable to the CPAF contract type follows:

a. An approved pre- and post-Business Clearance Memorandum (BCM) is required prior to award of the contract. Approval must be obtained at the appropriate level based on current NAVFAC policy. The PCO shall ensure all compliances are met prior to award of the contract.

b. The PCO shall ensure a guaranteed minimum is satisfied in a matter that complies with solicitation language.

c. Cost Accounting Standards. FAR 30.601 requires the cognizant ACO to perform CAS administration for all contracts notwithstanding retention of other administrative functions by the Contracting Officer. It also requires that a request for CAS administration be made to the cognizant external ACO (usually Defense Contract Management Command (DCMC)) within 30 days of contract award.

It remains the PCO's responsibility to determine whether the contract should require CAS coverage and to include the appropriate clauses in the solicitation. FAR Appendix, Subchapter B, Subpart 9903.201-2 (48 CFR 9903.201-2) describes criteria used to determine whether full or modified CAS coverage is to be required.

d. Accounting System Review. FAR 16.104(h) requires the Contracting Officer to ensure that "the Contractor's accounting system will permit timely development of all necessary cost data in the form required by the proposed contract type." Since this decision must be made before award, the information may be obtained as part of a Pre-Award Survey of Prospective Contractor—Financial Capability, using SF-1407, or Pre-award Survey of Prospective Contractor--Accounting System, using SF-1408. A DCAA auditor should perform the review if sufficient data is not already available from similar surveys. The Contractor may be requested to make any necessary accounting system changes. The effect of any changes on other federal agency contracts with the same Contractor must be considered. CAS procedures for administration take precedence over these requirements. A procedure that may be acceptable under general accounting principles may not satisfy the more specific CAS rules. The Contracting Officer has responsibility for the final decision on the acceptability of the Contractor's accounting system for the contract. The PCO should take this opportunity to thoroughly understand the accounting system in order to improve the PCO's ability to make corollary decisions during contract administration. The PCO may request the Contractor to submit any major accounting system changes prior to their effective date. This will allow time to determine, with audit assistance, whether the changes will have any major impact on cost reporting and whether they are permissible under any applicable CAS clause. Forward a copy of the proposed change to the auditor who will be doing subsequent compliance reviews.

e. Contractor Purchasing System Review (CPSR). In accordance with FAR 44.302, a CPSR shall be conducted for each Contractor whose sales to the Government (other than from sealed bid contracts) will exceed \$25 million during the next 12 months. A review is required at least every three years as long as the Contractor meets the annual sales threshold total for Prime contracts, subcontracts, and modifications to either. The review covers such matters as price competition, subcontracting with small business concerns, evaluation of subcontractors, CAS requirements, and management and control systems. FAR 44.3, DFARS 244.3 and DFARS Appendix C provide guidance and procedures for evaluating the Contractor's purchasing system and preparing the review reports. This systems' review is conducted by the cognizant external ACO, usually DCMC (See FAR 44.305-1). The PCO/ACO remains responsible to monitor the use of the Contractor's system. The usual procedure after the initial report is sent to the Contractor with copies to the ACO and the cognizant auditors is that the Contractor responds with a proposed corrective action plan. The final DCMC report will evaluate the Contractor's plan and include a recommendation to accept or reject the Purchasing System. Since the Contractor rarely achieves a fully acceptable system at this point, DCMC will do a follow-up review 90 days after the Contractor advises that he has made the last correction to procedures determined to be necessary. The PCO/ACO is the one responsible for the decision to accept or reject the Purchasing System and to assure that the Contractor is continuing to utilize the approved procedures during his management of the contract. While the cognizant external ACO is responsible for an annual determination to continue the approval or to request a special review, EFD/A ACOs must provide input on problems encountered with the Purchasing System and any classes of subcontracts for which consent to subcontract should not be waived. Notification of initial and continued approval shall include the elements listed in FAR 44.305-2. A copy of this notification or the request for special review shall be included in the contract file as documentation that the PCO/ACO has made the required determination. Approval will not be granted if the Contractor has failed to obtain proper response to flow-down requirements such as CAS, Davis Bacon Act requirements where applicable, etc. If the EFD/A ACO decides to retain the CPSR review, see Appendix F to facilitate the review.

f. Subcontracting Plan. Contractor must submit a Subcontracting Plan if required by FAR 19.702. The Subcontracting Plan must be reviewed as set forth in FAR 19.705-4 and approved by the Contracting Officer prior to contract award.

g. DD-350 Reporting. The award of the contract itself will be reported on a DD-350 as required in DFARS 204.670-2.

2. FUNDS OBLIGATION

It is recommended that different fund types are not mixed on individual CTOs. However, if it is necessary that the requirement utilize more than one fund type, scope should be accurately delineated by each funding type used. It is recommended that each separate line item be tied to a definable deliverable.

The Contracting Officer should not obligate additional funds on any CTO until it is determined that those funds are required to complete the work. Any funds expected to be appropriated for use on CTOs under this contract may be used to fund the minimum guarantee. The PMO CTO may be awarded with the contract award and constitute the minimum.

The NAVFACENGCOM Comptroller's Office incorporated memorandum, Serial No. 8401, on 22 September 1992, on the subject "Guidance for the Funding of Discretionary Increases" into an overall fiscal memorandum "Guidance on the Administration of Appropriations After the Period

of Availability”, Serial No. 9231 dated 4 Apr 1996 shall be followed. All unexecuted discretionary within-scope change orders to cost reimbursement contracts which increase the overall funding ceiling must be funded with current year funds. Based on current guidance, it appears the only nondiscretionary items are claims and indirect rate adjustments. For out-of-scope, supplemental agreements where new work is added to the CTO, current funds are to be used. Any special funding instructions issued by Headquarters Comptroller's office shall be followed.

CHAPTER V

CONTRACT ADMINISTRATION

1. ROLES AND RESPONSIBILITIES

Teamwork is important in administering environmental cost reimbursement contracts. An understanding of the support roles of the various players in a remedial action will assist in communication and the completion of the project. Knowledge of the base environmental organization prior to administering a cleanup contract will help in project execution. The following is a brief description of the expanded roles and responsibilities for those typically involved in a study and cleanup effort:

a. Contracting Officer Responsibilities

(1) PCO: PCO functions are reserved to the EFD/A, which will also assign ACO and COR functions.

- Appoint COR
- Appoint Ordering Officers
- Issue Request for Proposal (RFP) and receive proposal
- Prepare Pre/Post Memorandum and lead negotiations
- Award contract/CTO, as appropriate
- Delegate ACO duties, if desired
- Serve as Award Fee Board Member
- Perform a periodic review of COR and COR files
- Issue NTR appointment letters

(2) ACO Functions: The ACO function may reside with a contract specialist with a warrant. When the PCO makes a decision on delegation of ACO authority, the PCO will consider whether the personnel to be assigned duties are qualified to administer this type of contract. The PCO must also decide exactly what duties to delegate. The decision must be made on a case-by-case basis. Some of these duties may include participating in negotiations, issuing modifications, and appointing NTRs.

(3) Environmental Contract Specialists: The PCO will designate individuals with authority to issue individual CTOs, usually EFD/A Contract Specialists with warrants. PCO representatives (contract specialists) will negotiate and prepare all documentation for negotiation of CTOs.

b. COR Responsibilities: Appendix B is the policy letter, which includes sample appointment letters on CORs for environmental contracts. For COR duties, refer to Appendix B, enclosure 1.

c. NTR Responsibilities: Appendix B is the policy letter, which includes sample appointment letters on NTRs for environmental contracts. For NTR duties, refer to Appendix B, enclosure 2.

d. Remedial Project Manager (RPM) Responsibilities: The RPM is designated by the EFD/A, Director, Environmental Management Division. For the purposes of using these

contracts, an Engineer In Charge (EIC) will be an RPM. The RPM may have the following responsibilities:

(1) Ensure program & procedural compliance with Navy policy, guidance, and environmental laws and regulations.

(2) Coordinate with appropriate Base personnel, regulators, the media, and the public on environmental issues.

(3) Provide technical support to the COR and NTR.

(4) Coordinate CTO information with the activity, COR, and NTR.

(5) Attend negotiations, as appropriate.

(6) Prepare the CTO SOW and verify the technical adequacy of the SOW.

(7) Prepare an independent Government cost estimate, as appropriate.

(8) Determine and obtain appropriate funding.

(9) Decide which Contractor to use for Post Construction Award Services (PCAS).

(10) Prepare award fee performance evaluations and final performance evaluations for the CTO.

(11) Monitor CTO schedules and budgets.

e. Activity personnel, including the Commanding Officer (CO), Environmental Coordinator (EC), Emergency Response Coordinator, Base Fire Marshal, Public Affairs Officer, Security, Public Works Officer, and Safety Officer play a vital role in the performance of environmental investigations and cleanup. Base personnel roles and responsibilities should be described in local base instructions, and the NTR should ensure that those responsibilities are understood by all parties prior to commencement of work.

2. REQUIREMENTS IDENTIFICATION/FUNDING

The CTO process begins with identifying a requirement, receiving a commitment of funds, preparing a SOW, and preparing an independent Government Estimate (GE).

a. Requirement. Statutory requirements drive the study, investigation or remedial action and emphasize permanent solutions that detoxify and/or immobilize the site contaminants. These requirements are based on federal, state, and local regulations. Requirements are also described in the Record of Decision (ROD) which dictates how an NPL site will be cleaned up. For non-NPL sites, the remedial action requirements are found in agreements, typically between one or more regulatory agencies and the Navy.

b. Funds Availability. The Contracting Officer, or designated representative, shall ensure that appropriate funds are available for specific environmental projects prior to issuance of an RFP.

c. SOW. The SOW should be performance based. A detailed schedule of required deliverables and interim milestones should be outlined. Also the SOW should detail any other reports required, such as a site-specific QC Plan, site-specific Health and Safety Plan, etc., that are not already specified in the basic contract,

d. GE. The GE should be prepared using the current direct labor, overhead, G&A, and award fee rates in the contract. Every effort should be made to use the current Environmental Cost Element Structure (ECES) to the subtask level. The costs in the GE should reflect the known and anticipated degree of effort and materials required to accomplish the work. The cost estimate and schedule should not include any contingency amounts since the award fee pool calculation is based on the total estimated budget. The estimated budget and schedule for each CTO will be the baseline cost and schedule utilized with other performance inputs in determining the Contractor's overall performance rating for cost control and timeliness.

3. **AWARD OF CTO**

a. Request for Proposal. The request will include the SOW, establish a date for return of the Contractor's proposal, identify the technical and contracting points of contact, and describe any unusual procedural requirements. A scope meeting or site visit with the Contractor should be scheduled to ensure understanding of the SOW, with attendance by the COR, a Contract Specialist, and the RPM and/or NTR, as applicable.

b. Program Management Task Order Award. PMO CTOs are used to charge expenses which cannot logically be direct charged to individual CTOs. Every effort should be made to minimize PMO costs to the maximum extent possible based on NAVFAC HQ policy. Most work is accomplished on-site and can, therefore, be charged directly to individual CTOs. Also, a Contractor may propose to charge all costs to project CTOs.

The first CTO issued under the contract may be for administrative requirements such as having a QC Plan, Management Information System (MIS), Contract Management Plan, etc., modified to correspond with our requirements.

Program Management functions include overall contract management to plan, monitor, and control all CTOs. It may include technical, management, administrative, clerical, and secretarial activities performed by a regional office and support functions performed by the corporate office. These activities may include:

- (1) Coordinating work assignments between Navy and Contractor personnel;
- (2) Identifying project needs for manpower and subcontractors;
- (3) Monitoring and controlling projects in terms of safety, quality, schedules, and costs;
- (4) Preparing financial and technical reports on individual projects and overall programs;
- (5) Performing activities prior to the remedial action, such as constructability reviews with the designer;

(6) Management of subcontracts; and

(7) Preparing and executing CTO and contract close-out reports.

c. Negotiation of Budget for Individual CTOs. The Contractor's proposal should include all the performance planning required and may include any of the following elements as stated in the RFP:

(1) Objectives and scope of the proposed project and its relationship to other projects;

(2) Technical approach, anticipated problems, proposed solutions;

(3) Work to be performed under each task, including objectives and scope, information sources, and methods to be used.

(4) Safety and contingency measures (if applicable);

(5) Schedule, which may include critical path and milestones, and staffing of each task;

(6) Anticipated number of labor-hours to complete the project, names of key personnel, and justification if an employee is proposed whose wage rate exceeds the contract ceiling rate;

(7) Detailed cost estimate for the project, organized using ECES to the subtask level. As a minimum the estimate shall be summarized to the subtask level with additional backup. The Government can then take the Contractor's proposal and compare it with the GE, which should have also been prepared from the database into a pre-negotiation position table;

(8) Expenditures schedules and cost control procedures;

(9) Dollar amount and type of proposed subcontracts;

(10) Document production and distribution costs;

(11) Project QC Plan.

Contractor estimates should include proposals from subcontractors, as appropriate. Negotiation will also establish expected completion time and deliverables. Price Negotiation Memorandum shall reflect the process used to establish the final estimated budget. If other than normal negotiation procedures are required, immediately contact ACO for guidance.

d. Funding. Follow instructions from NAVFACENGCOM Headquarters Comptroller's Office on funding of the CTO.

e. Issue the CTO. Following negotiation of the CTO, a contract specialist ensures that award action is appropriately entered in FIS.

4. CTO POST AWARD ADMINISTRATION

A separation of authority and responsibilities for technical versus contractual questions is especially difficult in a cost reimbursement contract where the SOW tends to be a performance specification. Decisions require a high degree of technical expertise, and the CTO contains an estimated budget. Frequent and ongoing communication between technical representatives at the EFD (COR, RPM, NTR), the ACO and the PCO is very important because of the interrelation between technical and contracting questions.

a. Submittals: Each CTO will describe the submittals required and the approving official. Electronic format that contain final deliverables real time on a CTO are recommended to facilitate archiving tasks at the end of the CTO.

b. Contractor Requests For Information (RFI): The NTR shall maintain a log of Contractor RFIs and take responsibility for ensuring a timely response is made by the Government. Responses must be coordinated with the RPM. If necessary, the COR may issue technical direction after coordination with the NTR/RPM and ACO or environmental contract specialist.

c. Contract Files/ Documents/ Correspondence: The NTR will maintain a working file with copies of all contract documents, correspondence, records of meetings, RFIs, and daily reports, etc. The NTR will forward the original of all correspondence reports to the PCO through the COR. CTO files will be closed upon closeout of the CTO. At the close of the contract, the NTR files will be purged of all documents that were issued by the PCO or distributed to the PCO. Remaining documents will be forwarded to the PCO via the COR for inclusion in the official contract file. The PCO may require that certain documents contain an original signature. It is recommended that contract and technical files be web based or in an approved electronic format.

d. Constructability Review. Review procedures used for standard construction projects should also be used in reviews for remedial action work. NTRs and/or RPMs should generally focus on the SOW clarity, constructability, and compliance with station regulations. A formal review may occur in a meeting between the RAC, the designer, and government personnel to determine the best processes to be used in the remediation. These reviews will give NTRs and/or RPMs an opportunity to obtain detailed information related to the scope of the project prior to CTO negotiation and project start. NTRs and/or RPMs should use this information to identify training and information on technologies that will be needed by personnel assigned to the project. It will be necessary to include a provision for cost of the RAC's participation in any reviews for the project.

e. Reports (General): Each EFD/A is required to submit a "NAVFAC Quarterly Report – Environmental Cost Contracting" found in Appendix E to Headquarters ACQ. This is in addition to any reports to ENV. The MIS being used by Contractors should provide this basic information plus any additional data EFD personnel require to assist in the administration of the contract. The data shown in these reports should agree with the CTO status reports.

Contractor-submitted monthly performance reports must be reviewed by the NTR and/or RPM to monitor performance on the CTO. The review should include verification that activities planned and personnel utilized are appropriate. Any problems noted must be resolved. Performance must proceed according to schedule or delays satisfactorily explained. Sampling data, reports, and other deliverables must be received when due.

f. Documentation: Reports are required from the Contractor summarizing daily activity. The NTR should provide comments on the Contractor reports. Forms required are:

- (1) Contractor Production Report/Contractor Quality Control Report, Form 1400-16/91 (front and back);
- (2) Rework Items List; and
- (3) Testing Plan and Log.

Use of these forms is described in Section 3-1300 of the Environmental Contract Quality Management Guide, P-1071.

g. Overall Work Progress: The NTR should conduct regular meetings in the field with the Contractor Project Manager. Regular cost and schedule reviews should occur. Additionally, regular program meetings should occur with participation by the ACO, COR, and Contractor.

h. Cost Control: It is important that Contractors retain control of estimated budgets. The Government is not obligated to reimburse the Contractor for costs in excess of the estimated CTO budget, and the Contractor is not obligated to continue performance and incur costs in excess of the estimated budget. This provision gives the PCO the ability to control the total amount being spent since the ACO must provide additional funds by modification if performance is to continue. The Contractor's Status Report and/or Invoice should show for each CTO a budget summary and trend chart for each cost category, the planned and actual costs for the current period, cumulative costs to date, and projected costs to complete. The NTR and/or RPM should evaluate the necessity and reasonableness of figures reported in comparison with the baseline estimate for:

- (1) labor categories and hours;
- (2) direct material;
- (3) need for equipment (identify any purchases which constitute Government property);
- (4) need for travel: location, length of visits, number of travelers; and
- (5) rate of expenditure versus baseline for comparison of expenditures to planned performance;

Any costs that appear to be unreasonable should be noted on the invoice review report to be forwarded to the ACO via the COR so that they can be discussed with the Contractor. Tasks considered unreasonable or unallowable should be identified when the Contractor's cost proposal is received so that the Contractor can avoid a cost which may not be reimbursed. Most re-work would be compensated under a cost reimbursement contract. Contract costs must meet the tests of reasonableness and allocability established by regulations. Reasonableness would preclude the Contractor from recovering costs which result from a Contractor's reckless disregard of its actual obligations. However, absent conduct by the Contractor which is unreasonable, the Contractor will be reimbursed even if the work is defective or not complete. Control of costs is achieved primarily by reviews of the Contractor's accounting, billing, and purchasing systems, review of invoices, post-award audits by DCAA or another cognizant audit agency, and by observation of the Contractor's work through regular visits to the work site. Although audit performance may be delegated to another agency, the

PCO retains the right to review the Contractor's records at any time the PCO believes necessary to the administration of the contract. Appendix C is an Invoice Review Procedure which should be followed to maintain cost control.

i. Contract Surveillance and Non-compliance: A Discrepancy Report (NAVFAC Form 4330/36) should be used to identify a non-compliance that requires immediate attention. Any deficiency observed during field monitoring which requires immediate attention shall be noted in the QC Report and communicated to the COR and the ACO. Follow-up visits should be made expeditiously, particularly when the deficiency may affect the health and safety of personnel or have regulatory impacts. Documentation to the CTO file of all significant communication with, and observation of, the Contractor is vital. This documentation provides the basis for later response to any claim, regulatory agency inspection, or cost auditor report which may question the actions being taken. The documentation also provides assurance that the proper degree of oversight was present during the environmental project. A form similar to Appendix D should be used to assist in reporting observations.

j. Award Fee (AF) Determination. As a minimum, the AF is payable at six-month intervals as established by the AF plan. The AF is the amount which may be earned above costs based upon a subjective Government evaluation of the Contractor's performance. AF is intended as an incentive to the Contractor to provide excellence in services in the described criteria areas of Technical Services/Quality Management, Cost Control/Project Management, Schedule Adherence/Timely Performance and Overall Management of the contract. AF determinations are subject to the Disputes Clause of the contract. Every effort should be made to adhere to the AF plan. Criteria and/or relative importance of criteria may be changed by notifying the Contractor thirty calendar days prior to the beginning of the affected evaluation period. The FDO is responsible for establishing any changes in the criteria for the Overall Management Award Fee pool. Appendix A, Award Fee Plan, describes administration of the AF process.

k. CTO Close-out. Attachment 3 is the close-out procedure and strategy to be followed at the completion of performance on each CTO and at the completion of the entire contract. Contract file close-out will be accomplished in accordance with current procedures.

5. QUALITY MANAGEMENT

All personnel should follow guidance contained in NAVFACENGCOM's Environmental Contract Quality Management Guide, P-1071.

6. MODIFICATIONS

Procedures will follow procurement policy established in FAR/DFARS/NAPS/NFAS Part 43.

a. CTO Modification. In cost reimbursement contracts, the CTO may contain only a general SOW to be accomplished; and the exact methods and quantity of work units are developed in partnership with the Contractor. There is some loosening of the strict requirement to account for every deviation in work by negotiation of a change order or modification. It is not necessary to allocate additional fee for modifications unless the work was not required by the original SOW. In general, a significant increase to the estimated budget may indicate that there was a substantial change to the work required which may justify an increase in the award fee.

(1) Small Revisions. Technical direction to the work effort that does not significantly affect the Contractor's level of effort or period of performance can only be

authorized by the COR through use of a technical direction letter. A copy should be forwarded to the ACO. A technical direction letter should include the following: "You shall proceed promptly with the performance of this technical direction. You are to provide a budgetary impact of this direction to the ACO within five days of its issuance. If in your opinion, this direction falls within any of the exceptions defined in your contract, you shall promptly notify the Contracting Officer in writing and take no action until a modification to the task order has been issued."

(2) Out of Scope. Negotiation must occur if a significant change (out-of-scope task) is required. A formal modification on SF-30 must be negotiated to account for the revised estimate based on any changes required. The process then becomes consistent with the process to negotiate a CTO.

(3) Cost Growth. If funds to be expended are expected to exceed the original budget, more funds will need to be added. This is normally done after the limitation of cost letter has been received. A formal modification on SF-30 must be issued to account for the revised budget estimate if decision to continue performance is made.

b. Modifications to the Main Contract. An SF-30 will be used to exercise the option at the beginning of each new contract year, to negotiate any major change, such as the substitution of a new team subcontractor with different overhead rates, to change technical scope, to account for changes in costs caused by audit of actual indirect rates, and other administrative requirements.

7. MANAGEMENT ISSUES

a. Government Furnished/Contractor Acquired Property

(1) General. The categories of Government property include material, special, tooling, special testing equipment, agency peculiar property, and facilities. The subcategory "facilities" includes equipment and real property. "Government Property" title always vests with the Government. "Contractor-acquired property" becomes "Government Property" depending upon the contract provisions and how the Contractor charges the Government for the cost of equipment used to perform the contract. FAR Part 45 discusses in depth the many facets of managing Government Property, and only the very basic elements are presented here.

(a) If the Contractor already owns all necessary equipment, property will not need to be acquired or purchased just for this contract. The Contractor may still charge the Government for the Contractor's owned equipment under Other Direct Costs (ODCs) in the form of a rental usage charge. In this case, the Contractor already has title and included in the rental usage charge is just depreciation and not the full price of a new item. When proposals reflect this application of cost, the equipment does not become "Government Property" whether firm fixed-price or cost type contract.

(b) If the Contractor purchases equipment specifically for a Government project and charges the cost of equipment as direct cost, the Government takes title because we are reimbursing the Contractor for the full purchase price. The equipment will then become Government property in accordance with the parameters stated in FAR 52.245-5(c)(2), (3) and (4).

(c) The Contractor may also lease equipment under an operating lease or rent equipment from an outside source for use on the contract. In this case, the costs

are typically charged to the contract as an ODC in the form of rental or lease charges. Neither the Government nor the Contractor has title to this equipment.

(2) Current DoD policy is to reduce the amount of Government property whenever possible.

(3) At the time of CTO negotiation, the Government should analyze the Contractor's costs by comparing the following alternatives:

- Use of Contractor-owned equipment if its accounting system permits (not Government Furnished Property (GFP));
- Rental of equipment or their subcontracting with firms which possess the equipment (not GFP);
- Transferring equipment purchased under another NAVFAC contract (GFP);
- Buying the equipment for use during the entire term of the contract (GFP).

(4) The same analysis above is required by the ACO after CTO award if there are contract changes that require purchase/lease/use of GFP.

(5) Screening for Acceptable Government Property. If the possibility exists that the Government already owns acceptable equipment, it can be transferred administratively from another CTO or contract through a request for disposition prepared by the Contractor, reviewed by the Government Property Administrator (GPA), and approved by the ACO. The transfer is then finalized by the Contractor's preparation and ACO approval of the DD-1149, Requisition of Invoice/Shipping Document. If Government property is not available and before the Contractor acquires property, the cost of using the Contractor's property or leasing from a third party should be considered.

(6) Contractor Acquired Property. If acquisition of Government property is preferred due to continuing need, quality considerations, or cost/price benefits, consideration must be given to the continuing requirement for property administration. The property administration function can be delegated to DCMC. However, each EFD/A will retain the responsibility for the determination that the equipment is required for the tasks ordered and that Contractor acquisition is the lowest cost, highest benefit solution. Rely on DCMC for its specialization in routine record-keeping type functions. DCMC will appoint a GPA with whom the EFD/A ACO will maintain liaison on the contract administration requirements.

(7) GPA. EFD/As shall appoint a GPA in writing even if DCMC is used or if NAVFACENGCOM retains all property administration functions. Appointment of an 1102 may be advisable since extensive contracts training is required. DoD Instruction 5000.58, Defense Acquisition Workforce, states that series 1103, and others performing property management responsibilities are to be included in the acquisition workforce. EFD/A GPAs should take the introductory DoD government property management course.

(8) Regardless of who is appointed GPA (including DCMC), property administration should be facilitated by each RPM and/or NTR being aware of property types used (i.e. Government furnished or Contractor acquired) and identify problems in their reports of

activity. Communication is essential to ease the GPA's responsibilities for reporting requirements. A sample SOP for government property is provided in Attachment 2.

(9) Contractor Responsibilities. The Contractor is responsible for all Government property in his possession or that of a subcontractor. A basic requirement of the GPA is to review the Contractor's written property management system procedures. The Property Control System shall be approved in writing by the GPA or waived as unnecessary under the specific circumstances (FAR 45.502). The basic information to be included in the Contractor's property control records is listed in FAR 45.505-1. DD Form 1342 may be used to set up prescribed records. The Property Control System shall be reviewed annually. A complete, on-site review may not be necessary if the GPA determines that the property control files and financial records provide sufficient data from a Contractor who exhibits outstanding program management.

(10) Contractor Liability. The Contractor is required to report any loss, damage, or destruction of Government property to the GPA. A written determination by the ACO shall inform the Contractor of liability with regard to such losses and the method of reimbursement and/or property repair or disposal.

(11) Physical Inventories. The Contractor is required to prepare an annual inventory on DD Form 1662, DoD Property in the Custody of Contractors, of all Government property held by the Contractor or subcontractors. The equipment we use is considered "Plant Equipment" as categorized on this form. The method and timing of the annual inventory are established at the approval of the GPA. An inventory that contains all the information required for disposal is to be performed immediately upon termination, or sixty days prior to completion, of the CTO. The GPA is required to verify the inventory and issue written approval.

(12) Disposal Methods. FAR 45.603 lists acceptable disposal methods including retention by NAVFACENCOM, purchase by the Contractor, use by other Government agencies, donation or sale to third parties, and abandonment. The Contractor can be required to manage the disposal process under the direction of the GPA. SF-1428, SF-1432, or SF-1434 may be used to make the final inventory. Donation can be managed through the nearest General Services Administration Personal Property Office or the Defense Reutilization and Marketing Service, ATTN: DRMS-SOR 23000, 74 Washington Ave. N, Battle Creek, MI 49017-3092. When surplus property is to be sold, the Contractor will manage such sale in accordance with DFARS 245.610 at the direction of the GPA. Proceeds of the sale will be credited against amounts due the Contractor. Forms described in DFARS 245.71 will be used as needed.

(13) Delegation of Authority. Caution should be used when considering the delegation of any ACO functions to an agency outside of NAVFACENCOM. Other agencies may not have the expertise to deal with specialized environmental remediation equipment or the knowledge of potential requirements under future CTOs. As a result, control over what the Contractor is buying under the contract and what is available may be lost. Whenever the GPA duties are delegated, the responsibility remains with the ACO to attend periodic meetings with the GPA to discuss the status of the property, its purchase, and use by the Contractor.

8. PAYMENT AND AUDIT

a. Interim Payments/Invoicing. See Appendix C for the approved Invoice Review Procedure. FAR Clause 52.216-7, ALLOWABLE COST AND PAYMENT, defines what may be considered an allowable cost for payment.

b. Allowable, Allocable, Reasonable. It is critical that those responsible for the review and payment of cost reimbursement vouchers be familiar with FAR 31.2. The allowability of costs will be determined based on:

(1) Reasonableness;

(2) Allocability;

(3) Standards promulgated by the CAS Board, if applicable; otherwise, generally accepted accounting principles and practices appropriate to the particular circumstances;

(4) Terms of the contract; and

(5) Any limitations set forth in FAR 31.2.

DCAA can competently deal with the question of correct application of accounting principles; however, EFD/A personnel are in the best position to determine that the cost is necessary to the overall operation of an environmental firm or would be incurred by a prudent person in furthering the purposes of an environmental requirement. Ongoing operations, choice of subcontractors and methods, staffing of projects, and choice or cost of specific products and services are some items which must be scrutinized for reasonableness by EFD/A personnel and disapproved if they exceed the amount considered prudent. The ACO should contact the Contractor Project Manager as soon as the ACO becomes aware that a questionable cost may be, or has been, incurred in an attempt to avoid the cost or agree on its handling.

c. Procedures for Disallowance of Costs

(1) If costs are questioned during EFD/A review of vouchers, the following steps occur. The ACO shall notify the PCO who will make a final determination as to the allowability of the cost. In accordance with FAR Clause 52.242-1, Notice of Intent to Disallow Costs, the PCO shall issue written notice of the decision that includes the statements shown **in FAR 42.801(c)**. The Contractor may submit a written response with justification for the costs in question. Within sixty days, PCO shall attempt to resolve the discrepancy between the Contractor and the Government.

(2) If unresolved, the Contractor may file a claim under the Disputes Clause.

(3) Penalties for unallowable costs may be assessed in accordance with FAR 42.8 if FAR Clause 52.242-1 is included in the contract. The penalties are for billing of costs that are expressly unallowable under a FAR or DFARS cost principle, as described in FAR 31.205. The penalty will equal the amount of the unallowable cost plus interest on any amount paid. The demand for payment of the penalty constitutes a final decision under the Disputes Clause.

d. Audit. Audit cognizance for each Contractor will normally be the agency with the largest dollar amount of negotiated contracts, including options (FAR 42.003). For most Contractors, DCAA is the responsible Government audit agency (FAR 42.101).

DCAA is responsible for performing all contract audits and provides accounting and financial advisory services regarding contracts and subcontracts to all DoD components responsible for acquisition and contract administration. These services are available at all points of the acquisition process including: pre-negotiation, negotiation, administration, and settlement of contracts. The assigned audit office will advise on the acceptability of the Contractor's incurred and estimated costs. DCAA's major areas of emphasis include: the adequacy of Contractor's policies, procedures, practices, and internal controls relating to financial and management systems (accounting, billing, estimating, purchasing, compensation, timekeeping/labor and final incurred cost); the evaluation of Contractor's management policies and decisions affecting costs; the accuracy and reasonableness of Contractor's cost representations; the adequacy and reliability of Contractor's records for Government-owned property; the financial capabilities of the Contractor; and the appropriateness of contractual provisions having accounting or financial significance.

Although the audit office has primary access to the Contractors' financial records, this does not preclude the ACO from requesting similar data or reviewing accounting records as needed for the administration of the contract. However, it is important to avoid duplication of audits, reviews, inspections, and/or examinations of Contractors' (or subcontractors') data and/or require excessive documentation from the Contractors. Use risk assessments, including reliance on the adequacy of the Contractors' systems and historical findings, to determine the quantity and frequency of accounting records needed for contract administration.

The audit office that contributed to the negotiation process will be contacted for contract support and be furnished a copy of the contract upon award and any subsequent modifications.

e. Final Payment. The Contractor shall submit a completion voucher, marked "COST REIMBURSABLE -- COMPLETION VOUCHER". Before the "final payment" is made, the Contractor must sign the standard release form and execute an assignment to the Government of any refunds or credits allocable to costs for which the Contractor has been reimbursed. Any Government inventory purchased under the contract must be accounted for. Unlike interim payments, a final payment constitutes a determination that any costs paid are allowable, even if unaudited, and will not be further adjusted. If not already conducted, a final AF determination cycle must also be completed to ascertain the final fee payable. The final payment will, therefore, cover all costs and fees payable under the contract. Funds determined to be not needed shall be deobligated in accordance with standard procedures.

9. CLAIMS AND DISPUTES

The key to handling claims regarding the contract is a thorough understanding of how the Contractor accumulates, reports, and invoices costs. An initial step in contract administration is to ensure the Contractor will record and track costs to correspond with individual actions. The Contractor can be required to make any changes to the accounting system which are needed to track costs. Since the Government will pay for any changes as a direct or indirect charge, an analysis is required of the benefits which will justify such an expenditure. The only limitation to the ability to require changes is the general requirement for consistency in the treatment of costs as direct versus indirect and consistency in treatment of costs for other customers. While the overall job cost accounting system must be consistent, the details of direct cost coding at a subsidiary level can be changed to increase their identifiability with a specific CTO. One type of dispute which may arise under the contract is one resulting from disallowance of a cost incurred by the Contractor. Specific types and circumstances of

unallowable costs are described in FAR 31.2, but not all unallowable costs are included.

CHAPTER VI. SPECIAL ISSUES

1. INDEMNIFICATION

In accordance with current DoD policy, these contracts do not include any form of indemnification. However, each of the contracts contains a provision stating that "if the Government determines that it will indemnify the Contractor for third party liability, an equitable adjustment shall be negotiated in exchange for the inclusion of such indemnification." If the official DoD position changes and becomes retroactive, special instruction will be received from NAVFACENCOM Headquarters Acquisition Proponent.

2. BONDING

In accordance with DFARS 228.102-1, cost reimbursement contracts do not require performance and payment bonds. However, the Contractor should require bonds from any subcontractor awarded a fixed-price, construction type contract in excess of \$25,000. If the EFD/A Contracting Officer determines a payment bond is needed to protect subcontractors, the contract may require the prime contractor obtain a payment bond for the contract or individual payment bonds for the task orders. If the EFD/A Contracting Officer determines to require bonding under a cost reimbursement contract, the Contracting Officer shall document in writing their rationale and basis for requiring bonding.

3. INSURANCE

In accordance with FAR 31.205-19, costs of insurance required or approved and maintained by the Contractor pursuant to the contract are allowable for reimbursement. Workmen's compensation and general and automobile liability insurance are required. Costs may be charged directly or as part of the overhead rates depending upon the Contractor's standard accounting procedures and CAS requirements. The cost of any form of pollution liability insurance is unallowable as a direct charge since it is considered to be a form of indemnification which cannot be granted under current DoD policy. It can be reimbursed only as part of an indirect cost pool.

4. DAVIS-BACON/SERVICE CONTRACT ACTS

The PCO representative/Contract Specialist is responsible for including the correct wage determination in the CTO. If you have questions surrounding labor standards application, contact the Command Labor Advisor.

Service Contract Act (SCA). The application of SCA to A-E contracts will be determined in accordance with the provisions of FAR Part 22.10 and the Department of Labor regulations at Title 29 CFR Part 4. If the work to be performed in the A-E contract (or in a separate task order) will be performed exclusively by persons who are NOT exempt under Title 29 CFR Part 541 (as professional, supervisory, or administrative, defined by that regulation), then SCA will be applicable to such work and the proper wage determination and clauses will be made applicable to the contract or task order. If the work in the A-E contract is to be performed exclusively by persons considered exempt under Title 29 CFR Part 541 (such as degreed engineers, degreed chemists, Project Managers), SCA will not be applicable. If both exempt and nonexempt workers perform the A-E SOW, SCA provisions will apply to the contract or task order if more than 20% of the contract effort (read: number of FTEs or dollar value of effort) is performed by

nonexempt workers. Count only workers performing the work listed in the SOW; and do not include support workers such as payroll clerks, administrative assistants, or other such workers if they are not directly performing work listed in the SOW. The exempt workers on such a mixed contract will remain individually exempt from the provisions of SCA.

Davis Bacon Act (DBA). The application of DBA will be determined in accordance with the provisions of FAR Part 22.4 and the Department of Labor regulations at Title 29 Part 5. Many types of hazardous remediation activities are subject to DBA if the work performed is the construction, alteration, or repair of a public building or public work. For example, the removal of asbestos and lead paint is considered an "alteration" to a building and, therefore, subject to DBA provisions. Environmental cleanup involving substantial excavation or reclamation of land or elaborate landscaping activity restoring the site is considered construction and, therefore, subject to DBA. DBA-covered construction also includes substantial removal and replacement of contaminated soil, removal and treatment of contaminated soil, or decontamination of soil in-place through installation of aquifers.

5. PROPOSAL PREPARATION COSTS

Enough cost history should exist from similar contracts to support the use of pre-negotiated rates for site visits and proposal preparation costs. The pre-negotiated rates will be included with a projection of projects when awarding the PMO.

Generally, PMO CTOs are funded with ER,N/BRAC funds. If other types of funding are required, it may be necessary to award a separate CTO for the proposal preparation costs utilizing the pre-negotiated rates.

Proposal preparation costs will consider the estimated value, technical complexity, and location of sites. The Contractor will be paid for actual costs incurred for proposal preparation. The AF for proposal preparation cost and site visits should be consistent with the terms of the contract.

An example of a matrix that can be used for proposal preparation cost and site visits is presented as follows:

Est. Value	Simple		Complex	
	Cost	Award Fee	Cost	Award Fee
< \$500K	\$ 7,500.00	\$ 375.00	\$ 10,000.00	\$ 500.00
\$500K - \$2 Mil	\$ 10,000.00	\$ 500.00	\$ 12,500.00	\$ 625.00
\$2 Mil - \$5 Mil	\$ 12,500.00	\$ 625.00	\$ 15,000.00	\$ 750.00
\$5 Mil - 10 Mil	\$ 15,000.00	\$ 750.00	\$ 20,000.00	\$ 1,000.00
> \$10 Mil	\$ 20,000.00	\$ 1,000.00	\$ 25,000.00	\$ 1,250.00

Site Visits		
Location	Cost	Award Fee
Hawaii	\$ 900.00	\$ 45.00
Midway Island	\$ 7,000.00	\$ 350.00
Johnston Atoll	\$ 7,000.00	\$ 350.00
Guam	\$ 10,000.00	\$ 500.00
Japan	\$ 12,000.00	\$ 600.00

Simple projects in the matrix example are defined as underground storage tank removals, simple landfill capping projects, contaminated soil excavation projects, or other projects that do not have significant design, technical review, or systems installation components.

Complex projects in the matrix example are defined as system installation projects, such as fluid injection/vapor extraction, free-product recovery, engineered landfill capping projects, soil stabilization, or other on-site treatment projects that require technical review, treatment system design, and a large amount of material and equipment procurement.

6. CTO CLOSE-OUT

The EFD/As can implement “Quick Close-out Procedures” (FAR 42.708) if appropriate. The goal is to substantially reduce the time it takes to accomplish close-out and return extra funds to the customer.

The benefits derived from standardizing the CTO close-out process are (1) provides timely CTO close-out, (2) provides for timely deobligation & reallocation of funds, (3) reduces Government & Contractor costs, and (4) timely release of retained AF. See Attachment 3 for a copy of a CTO close-out process and strategy.

APPENDIX A

AWARD FEE PLAN

FOR THE

NAVFACENGCOM

ENVIRONMENTAL COST REIMBURSEMENT

CONTRACTS

AWARD FEE PLAN

1.0 INTRODUCTION

- a. Award fee is intended as an incentive to the Contractor to provide excellence in service. Award fee is the amount which may be earned above costs based on a subjective evaluation of the Contractor's performance.
- b. This plan establishes award fee provisions for the environmental contracts. The Contractor is required to perform environmental services in support of the Navy's Environmental Program at activities under the cognizance of NAVFACENGCOM.
- c. The amount of the award fee pool is established by setting aside a pool relating to the amount of the negotiated, estimated budget(s). The award fee earned and payable will be approved by the Fee Determining Official (FDO) based upon the review of Contractor's performance against the "Evaluation Criteria" and "General Characteristics of Levels of Performance" in Attachments (1), (2), and (3). In addition to providing special management emphasis to the "Evaluation Criteria", the Contractor is responsible for striving to attain the standards of excellence in the performance of this contract.

2.0 ORGANIZATION

- a. The award fee organization consists of: the FDO and the Award Fee Board (AFB), which consists of a chairperson, AFB members, and other advisory members as required.

3.0 RESPONSIBILITIES

- a. FDO: The FDO approves the award fee plan and any significant changes. Examples of significant changes include changing evaluation criteria or adjusting the characteristics of levels of performance to redirect the Contractor's emphasis to areas needing improvement. The FDO reviews the recommendation(s) of the AFB, considers all pertinent data, and approves the earned award fee amount for each evaluation period. The FDO shall be delegated no lower than the Chief of Contracting Office (CCO).
- b. AFB Chairperson: The AFB Chairperson, who is appointed by the FDO, selects the remaining AFB members. The Chairperson briefs the FDO on recommended earned award fee amounts and the Contractor's overall performance and recommends significant award fee plan changes to the FDO.

c. AFB: AFB members review the NTR's and/or RPM's evaluation of the Contractor's performance, considers all information from pertinent sources, and arrives at an earned award fee recommendation to be presented to the FDO. The AFB will also recommend changes to this plan.

d. Contracting Officer: The Contracting Officer is responsible for coordinating the administrative actions during the award fee process including: 1) receipt, processing and distribution of evaluation reports from all required sources; 2) scheduling board meetings and briefings; and 3) accomplishing other actions required to ensure the smooth operation of the AFB. The Contracting Officer is the liaison between the Contractor and Government personnel.

e. RPM and/or NTR: The RPM and/or NTR provide continuous evaluation of the Contractor's performance and at the end of each award fee period prepare evaluations.

4.0 AWARD FEE PROCESSES/RATING GUIDELINES

a. Available Award Fee Amount. The available award fee is established by setting aside a pool relating to the amount of the negotiated estimated budget(s) that corresponds to completed performance during the award fee period.

b. Evaluation Criteria. The evaluation criteria is set forth in Attachments (1) and (2). Changes to evaluation criteria will be made by revising Attachments (1) and (2) and notifying the Contractor. To provide a greater emphasis on overall contract management, each CTO for technical services will allocate a percentage of its award fee amount to the Overall Corporate Management and Program Management award fee pool in accordance with Headquarters guidance. The Program Management award fee pool will be evaluated separately from the overall corporate management pool utilizing the evaluation criteria in Attachment (2).

c. General Characteristics of Levels of Performance: The "General Characteristics of Levels of Performance" contained in Attachment (3) are intended as a guide to describe performance characteristics which represent a level of performance and a correlating range of earned award fee. It is not necessarily intended that any of the listed performance descriptions would exactly describe the Contractor's performance nor is it intended that a Contractor's performance in all areas necessarily fall in any one level. Rather the general characteristics of levels will be used as a tool to select the level of performance which best characterizes the Contractor's performance for the evaluation period.

d. End of Period Evaluations. The AFB reviews the RPM and/or NTR evaluations; ACO evaluations with DCAA and DCMA input as appropriate; Contractor's self-evaluation, if any; and other pertinent information to arrive at an evaluation of the Contractor's performance. The AFB prepares its evaluation report and recommendation of earned award fee.

e. FDO Determination. The FDO is required to make a final determination of the fee to be awarded to the Contractor. Accordingly, the FDO has the flexibility to increase or decrease the award fee recommended by making adjustments to:

(1) the award fee allocated to an individual CTO due to extraordinary input from the activity or other sources;

(2) the award fee based on trends in performance on all CTOs or any general economic or business trends which may affect performance capability; or

(3) any other information the FDO determines is applicable to a final award fee determination.

f. **Deferred Award Fee:** CTOs with available award fee may be deferred to the next award fee period if adequate information is not available to evaluate performance. CTOs with insignificant amounts of available award fee may also be deferred to the next evaluation period.

g. **Retained Award Fee:** The maximum award fee that will be made available is 90%, prior to completion of the CTO. Upon receipt of all required interim close-out information, the remaining award fee will be included in the next rating period.

h. **Contractor's Self-Assessment:** Both during and at the conclusion of each rating period, the Navy will identify specific CTOs that may negatively impact the performance evaluation. Prior to the FDO's final decision, the Contractor will be given an opportunity to address its own performance during the rating period. Accordingly, costs associated with such effort will not be reimbursed under this contract.

i. **Notification to Contractor:** Once the FDO has determined award fee earned for the period, a letter will be prepared that includes a summary of both strengths and weaknesses observed during the period. Invoicing instructions for the award fee earned will also be provided at this time.

j. **Unearned Award Fee:** Unearned award fee will be deobligated by modification.

k. **Duration of Evaluation:** The estimated time for the completion of the Navy's evaluation is approximately 60 days after receipt of the invoice and monthly progress report for the final month of the evaluation period.

5.0 AWARD FEE PLAN CHANGES

The FDO may unilaterally change any matters covered in this plan, provided the Contractor receives notice of any changes at least thirty (30) calendar days to which the changes apply.

6.0 CONTRACT TERMINATION

If the contract is terminated for the convenience of the Government after the start of an award fee evaluation period, the award fee deemed earned for that period shall be determined by the FDO using the normal award fee evaluation process. After termination for convenience, the remaining award fee amounts cannot be earned by the Contractor and, therefore, shall not be paid.

7.0 **EVALUATION PERIODS**

The evaluation periods will be at least every six (6) months.

EVALUATION CRITERIA FOR TECHNICAL SERVICES AND PROJECT MANAGEMENT

A. Technical Services/Quality Management

- A1. Compliance with contract task order scope of work and federal and state regulations and guidelines.
- A2. Use of technically innovative solutions to perform work “cheaper, better, and faster”.
- A3. Effectiveness of Quality Control Program.
- A4. Effectiveness of Health & Safety Program.
- A5. Assisting Government in determining technical requirements (rules, regulations, guidelines) to respond to changed field conditions.

B. Cost and Schedule Control

- B1. Implementation of cost saving initiatives which result in cost reductions and/or cost avoidance.
- B2. Efficient use of resources, including labor, equipment, and subcontractors.
- B3. Timeliness of performance of work.
- B4. Submission of timely, accurate, and complete monthly progress reports, invoices, cost proposals, and 75% (Limitation of Cost/Funds Budget) notification.
- B5. Minimizing cost and schedule impact from changes in field conditions and requirements.
- B6. Timely submittal of interim contract task order close-out information.

C. Project Management

- C1. Maintenance of professional/team relationships and adequate communication with Government personnel, regulators, and others.
- C2. Adequate project planning to maximize efficiency and minimize impact of field/construction work on activity personnel and operations.
- C3. Proactive approach and responsiveness to problems and issues.

ATTACHMENT (1)

**EVALUATION CRITERIA FOR
OVERALL CORPORATE MANAGEMENT
AND
PROGRAM MANAGEMENT**

A. Program Technical Management

- A1. Demonstrated commitment to accelerate overall process, including use of technically innovative solutions to perform work “cheaper, better, and faster”.
- A2. Responsiveness to program requirements and workload surges.
- A3. Proactive approach and responsiveness to problems and issues.

B. Quality Business Management

- B1. Effective use of resources; training and suitability of staffing.
- B2. Effectiveness of Quality Control Program and Health and Safety program.
- B3. Maintenance of professional/team relationships and adequate communication with Government personnel, regulators, and others.
- B4. Demonstrates strong leadership through effective internal communication and established standard operating procedures.

C. Cost and Schedule Control

- C1. Cost saving initiatives.
- C2. Development and use of an effective cost and schedule control system.
- C3. Submission of timely, accurate, and complete monthly progress reports, invoices, cost proposals, and 75% (Limitation of Cost/Funds Budget) notification.
- C4. Cost and schedule variances (including subcontractor) are identified early, fully explained, and recovered without impact to the program.
- C5. Cost management system automatically identifies problem areas and implements solution to maintain cost and staff growth levels below the negotiated levels.

D. Subcontractor Management and Other Systems Management

- D1. Effective management of subcontractors.
- D2. Effectiveness of purchasing system, including selection of suitable specialty subcontractors.
- D3. Adherence to subcontracting plan; meeting established goals.
- D4. Prompt resolution of audit/CAS issues to reduce funding anomalies.
- D5. Effectiveness of Government property management system to minimize and track Government property.
- D6. Management of the timely, accurate, and complete submission of physical and financial information for CTO and contract close-out.

ATTACHMENT (2)

General Characteristics of Levels of Performance

Level 1 - 90-100% of available award fee

- Technical performance which corrects the hazardous waste problem, which may have innovative elements.
- Timely completion with minor corrections or completion after increases due to additional requirements or regulatory changes.
- Highly effective management of the subcontracted effort.
- Control of costs yields some savings.
- Results recognized from continuous improvement.
- May include minor weaknesses in products and services.

Level 2 - 61- 89% of available award fee

- Reasonable technical quality and effective management.
- Timely deliverables and schedule control with some corrections and slippages.
- Successful management of the subcontracted effort.
- Effective cost control.
- Strives to make continuous improvements.
- May include some correctable weaknesses in products and services.

Level 3 - 30- 60% of available award fee

- Quality only acceptable with Government input.
- Changes in delivery schedule which do not cause significant problems.
- Adequate management of the subcontracted effort with some inefficiencies.
- Reasonable cost control with some increase in cost.
- No continuous improvement efforts visible.
- Some deficiencies in products and services that require Government input to correct.

Level 4 - 0% of available award fee

- Technical performance does not follow the design or record of decision and does not correct the hazardous waste problem.
- Failure to meet delivery schedule without notice of plan for correction.
- Failure to monitor subcontractors.
- Significant cost increases due to inadequate performance.
- Deficiencies so pervasive as to require substantial rework.
- Ineffective relations with Navy or regulators.

ATTACHMENT (3)

APPENDIX B

COR/NTR POLICY



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE, SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5065

IN REPLY REFER TO

ACQ
17 April 2003

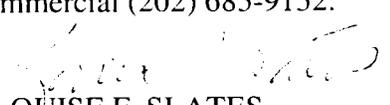
MEMORANDUM FOR NAVFAC ACQUISITION PERSONNEL

Subj: DESIGNATION OF CONTRACTING OFFICER'S REPRESENTATIVE (COR) AND
NAVY TECHNICAL REPRESENTATIVE (NTR) ON ENVIRONMENTAL COST
REIMBURSEMENT CONTRACTS

Ref: (a) NAVFACENGCOM ltr 024/Ser92-05 of 27 Nov 92
(b) Dir, ACQ memo AQA-C of 14 Jan 00
(c) NAVFAC P-445, "Construction Quality Management Program"
(d) DFARS 201.602-2
(e) NFAS 1.602-2

Encl: (1) Sample COR letter
(2) Sample Navy Technical Representative (NTR) letter

1. Reference (a) is superseded by this letter. In addition, both the "Minimum A-E Quality Assurance Training Requirements for Architect-Engineer Personnel" (paragraph 3) contained in reference (b) and Appendix N, "Architect-Engineering Quality Assurance" (paragraph 3) contained in reference (c) are superseded accordingly as set forth herein.
2. The duties, responsibilities, and limitations of the COR (formerly Contracting Officer Technical Representative (COTR)) are provided by references (d) and (e). A single COR will be appointed for each contract. An alternate COR should also be appointed with the same duties as the primary to be exercised in the primary COR's absence or nonavailability. The COR will be responsible for technical oversight of the contract and will be the focal point to accumulate input from Remedial Project Managers (RPMs) and/or Navy Technical Representatives (NTRs) on technical matters related to Contract Task Orders (CTOs). As the technical point of contact for the Contracting Officer, the COR may be designated to nominate NTRs required to complete technical oversight of the environmental project. Enclosures (1) and (2) are sample letters which may be issued to CORs and NTRs.
3. A COR must have completed the Environmental Cost Reimbursement Contracting course (CTC-423) and the NAVFAC Contracting Officer Representative COR/COAR/NTR course (CTC-342). The NTR must have completed the NAVFAC Contracting Officer Representative course, and it is recommended that they attend the Environmental Cost Reimbursement Contracting course as well.
4. Point of contact for any questions is the undersigned, DSN 325-9223, commercial (202) 685-9223; or Janice Gurganus, DSN 325-9152, commercial (202) 685-9152.


LOUISE F. SLATES
Head, Strategic Programs and Community
Management

SAMPLE CONTRACTING OFFICER'S REPRESENTATIVE (COR) LETTER

From: (PCO of the applicable Activity for the particular contract)

To: (Name, Organization, and Code of Appointee)

Subj: APPOINTMENT AS CONTRACTING OFFICER'S REPRESENTATIVE (COR)

Ref: (a) DFARS 201.602-2

(b) NAVFAC Acquisition Supplement (NFAS) 1.602-2

(c) NAVFAC P-1160, "Environmental Cost Reimbursement Contract Manual"

1. Pursuant to references (a) through (c), you are hereby appointed as the Contracting Officer's Representative (COR) for:

Contract Number and Title:

Contractor:

2. As COR, your duties include functioning as the technical representative of the Contracting Officer in the administration of the contract cited above, providing technical direction and discussion as necessary with respect to the specification or statement of work, and monitoring the performance of work under the contract. You are to perform your duties in accordance with references (a) through (c) and any amplifying instructions provided herein or in writing by the Contracting Officer at a later date.

3. In accomplishing your duties as a COR, you are cautioned to review carefully and comply with FAR 37.104 to ensure that the contract does not become a personal services contract through your actions or the actions of other Government personnel who may assist you in the performance of your duties.

4. You are responsible for bringing to the attention of the Contracting Officer and the customer for whom the work is being performed any significant deficiency with respect to contractor performance or other action that might jeopardize contract performance.

5. You are not authorized, either by this letter or by references (a), (b), or (c) to take any action, either directly or indirectly, that could result in a change in the pricing, quantity, quality, place of performance, delivery schedule, or any other terms and conditions of the contract or Contract Task Order (CTO), or to direct the accomplishment of effort which would exceed the scope of the contract or CTO. Whenever there is the potential that discussions may impact these foregoing areas, contact the Contracting Officer to agree on action to be taken. You must be especially cautious when providing an interpretation of specifications. The Contracting Officer will then determine whether formal modification of the contract/CTO is required. If the contractor believes that the COR's interpretation is erroneous, the contractor shall be informed to notify the Contracting Officer in writing of this position.

6. Specific duties, in addition to those required by references (a) through (c), are as follows: (This section of the COR letter may be tailored by the Contracting Officer to fit the particular contract situation.)

- a. Responsible for monitoring all Government technical interfaces with the contractor.
- b. Ensuring that copies of all Government technical correspondence are included in the CTO file.
- c. Responsible for ensuring that appropriate action is taken on technical correspondence pertaining to the CTO and that adequate files are maintained.
- d. Responsible for promptly furnishing documentation on any requests for change, deviation, or waiver (whether generated by the Government or the contractor) to the Contracting Officer for action and placement in the CTO file.
- e. Responsible for providing the Contracting Officer with timely input regarding reasonableness and technical necessity of invoiced costs and percentage of completion to ensure payments to the contractor are made within applicable time constraints.
- f. Responsible for ensuring contractor's performance evaluations are accomplished in a timely manner.
- g. Periodically monitors contractor performance to ensure that the individual contractor employees are of the skill levels required and are actually performing at the levels charged during the period covered.
- h. Periodically monitors contractor performance to ensure that the labor hours charged appear consistent and reasonable and that any travel charged was necessary and actually occurred.
- i. Informs the Contracting Officer of any CTO potential performance problems.
- j. Reviews and evaluates technical content of contractor's proposals and furnishes the Contracting Officer with comments and recommendations, as appropriate.
- k. Participates as a member of the Contracting Officer's negotiation team, as appropriate.
- l. Reviews contractor's progress reports and furnishes the Contracting Officer comments based on the reports.
- m. Responsible for the timely certification, in writing, to the Contracting Officer of the inspections and acceptance of the services performed upon completion of a CTO.
- n. Assists in the development of the Government estimate, as appropriate.

o. Monitors contractor compliance with safety and quality management requirements.

p. In the event of contractor delay or failure to perform, determine the cause and make recommendations for appropriate corrective and/or preventive measures to the Contracting Officer.

q. Monitor close-outs to ensure CTOs are closed out timely and provide written completion statements/progress reports, as appropriate or requested.

7. You may be designated to nominate Navy Technical Representatives (NTRs). The actual drafting of such letters may be delegated as appropriate.

8. The duties and responsibilities set forth herein are not intended to be all-inclusive. As specific individual situations arise that have not been covered or that have created a question, bring these to the attention of the Contracting Officer and obtain advice on how to proceed.

9. This appointment shall remain in full force and effect, unless revoked or terminated.

10. You are required to sign and return the original of this appointment to the Contracting Officer. A copy should be retained for your file.

Contracting Officer signature

Date

COR signature

Date

(Constitutes acceptance of the appointment and conditions thereof)

Copy to:

Contractor

SAMPLE NAVY TECHNICAL REPRESENTATIVE (NTR) LETTER

From: (Contracting Officer of the applicable Activity for the particular contract)

To: (Name, Organization, and Code of Appointee)

Subj: APPOINTMENT AS NAVY TECHNICAL REPRESENTATIVE (NTR)

Ref: (a) DFARS 201.602-2

(b) NAVFAC Acquisition Supplement (NFAS) 1.602-2

(c) NAVFAC P-1160, "Environmental Cost Reimbursement Contract Manual"

1. Pursuant to references (a) through (c), you are hereby appointed as a Navy Technical Representative (NTR) for:

Contract Number and Title:

Task Order No. (if applicable):

Contractor:

Contracting Officer's Representative (COR): (Name and phone number)

2. As an NTR, your duties include functioning as a technical representative to assist the appointed COR in the administration of the Contract Task Order (CTO) cited above, providing technical input and discussion in coordination with the COR as necessary with respect to the specification or statement of work, and monitoring the performance of work under the CTO. You are to perform your duties in accordance with references (a) through (c) and any amplifying instructions provided herein or in writing by the Contracting Officer at a later date.

3. In accomplishing your duties as an NTR, you are cautioned to review carefully and comply with FAR 37.104 to ensure that the contract does not become a personal services contract through your actions or the actions of other Government personnel who may assist you in the performance of your duties.

4. You are responsible for bringing to the attention of the appointed COR and the client [as appropriate] for whom the work is being performed any significant deficiencies with respect to contractor performance or other actions that might jeopardize contract performance.

5. You are not authorized, either by this letter or by references (a) through (c), to take any action, either directly or indirectly, that could result in a change in the pricing, quantity, quality, place of performance, delivery schedule, or any other terms and conditions of the CTO, or to direct the accomplishment of effort which would exceed the scope of the CTO. Whenever there is the potential that discussions may impact these foregoing areas, contact the COR for guidance.

6. Specific duties, in addition to those required by references (a) through (c), are as follows: (This section of the NTR letter may be tailored by the Contracting Officer to fit the particular contract situation.)

a. Provide the COR with timely input regarding technical clarification for the statement of work and recommended corrective actions.

b. Review the contractor plan for conducting specific tasks/work/deliverables and identify problematic areas to the COR.

c. Review CTO deliverables, recommend acceptance/rejection, and provide the COR with documentation to support the recommendation.

d. Identify contractor deficiencies to the COR.

e. Identify noncompliance with contractor reporting requirements to the COR.

f. Review contractor status/progress reports on the applicable CTO, identify deficiencies to the COR, and provide recommendations regarding acceptance/rejection and/or Government technical clarification requests.

g. Review invoices and provide recommendations to facilitate COR certification.

h. Assist in the preparation of the final report on contractor performance for the applicable CTO in accordance with the format and procedures prescribed.

i. Attend post-award meetings/conferences with the contractor (including the RPM and COR, as necessary) and discuss performance, quality control, health and safety, scheduling of work, and any other pertinent subjects. Report to the COR on the contractor's readiness to perform in accordance with the terms of the CTO.

j. Establish and maintain appropriate files.

k. Ensure that the contractor conforms to all appropriate federal, state, and local laws and procedures that govern the CTO.

l. Ensure that appropriate and timely action is taken to process technical correspondence.

m. Monitor contractor performance through on-site observation of the contractor's employees performing under the contract and review of timecards/sheets or labor distributions schedules to make sure the labor hours are charged properly. If the CTO is subject to Davis Bacon Act (DBA), perform labor interviews pursuant to DBA.

n. Monitor contractor compliance with safety and quality control requirements.

- o. In the event of contractor delay or failure to perform, determine the cause and make recommendations for appropriate corrective and/or preventive measures to the COR.
 - p. Promptly furnish the COR with any contractor or customer request for change, deviation, or waiver, to include timely submission of supporting analysis and other required documentation.
 - q. Evaluate contractor's performance and submit timely written performance evaluations to the COR.
 - r. Participate in CTO negotiations and technical evaluation of proposals as requested by the Contracting Officer.
 - s. Prepare/review field monitoring reports.
 - t. Coordinate security passes, facilities, and utilities with the Activity.
 - u. Review the contractor's site-specific Health and Safety Plan and Contractor Quality Control (CQC) Plan and monitor compliance.
 - v. Provide input to the COR during the award fee determination process in accordance with the award fee plan by providing evaluations of the contractor's performance.
7. You are assigned the above-listed responsibilities to assist and support the COR, but you do not have the authority to approve and accept final work without prior approval. Any requests for technical clarification shall be submitted in writing to the COR.
8. The duties and responsibilities set forth herein are not intended to be all-inclusive. As specific individual situations arise that have not been covered or that have created a question, bring these to the attention of the COR and obtain advice on how to proceed.
9. This appointment shall remain in full force and effect, unless revoked or terminated, through the life of the CTO [or contract, if appropriate].
10. You are required to sign and return the original of this appointment to the Contracting Officer. A copy should be retained for your file.

Contracting Officer signature Date

NTR signature Date
 (Constitutes acceptance of the appointment and conditions thereof)

Copy to:
Contractor

APPENDIX C

PAYMENTS/INVOICING

1. PAYMENTS/INVOICING

a. Introduction

Cost reimbursement type contracts provide for payment of allowable and allocable incurred costs to the extent prescribed in the contract. To determine allowable costs and payment, the Contracting Officer is responsible for the proper review of Contractor invoices in accordance with the provisions of the contract. Execution of invoice review is a team effort under the cognizance of the Contracting Officer. Besides a contract specialist, critical team members include a technical representative, a financial representative, and an audit agency representative.

b. External ACO

The Contracting Officer will ask the Contractor or the local district office of the Defense Contract Management Command (DCMC) whether an ACO has been appointed for the company as a result of contracts awarded by other agencies. This ACO may be a member of the DCMC or a civilian agency. Any identified external ACO will be listed in the contract file with a copy of any correspondence or record of telephone contacts. Although the external ACO has no direct input to the invoice review process, the ACO will act as a focal point between Contracting Officers at various agencies and may be able to provide supplemental information from financial and management audits already performed by DCAA or another audit agency. Notwithstanding the appointment of an external ACO, ultimate responsibility on all contract matters remains with the individual Contracting Officer.

c. Invoice Procedures

As directed in the contract, the monthly invoice shall be prepared on SF-1034 and SF-1035, "Public Voucher for Purchases and Services Other Than Personal and Continuation Sheet." Monthly invoices are forwarded to the audit agency with a copy to the Contracting Officer. The voucher will show total costs incurred to date, as well as the current monthly amount, broken down into major categories as used during the original negotiation. While DCAA, or another cognizant audit agency, is conducting its review, the invoice review team described in the above introduction will simultaneously review the invoice in comparison with the monthly progress report and separate technical reports on project activity. The auditor, financial representative, technical representative, or Contracting Officer may identify costs that are not allowable; but the Contracting Officer is responsible for the final determination and dealing with the Contractor on its resolution.

d. Adjustments

Any invoiced items being questioned may be subtracted and the invoice balance approved for payment. Costs can also be suspended from payment if more documentation is needed to determine their allowability. The questioned amount may be shown as an invoice adjustment until sufficient information is received to form a final decision. An alternative is to pay the total amount invoiced and deduct any unallowable costs from a subsequent invoice. As stated in the "Allowable Cost and Payment" Clause FAR 52.216-7, the Government also reserves the right to make adjustments in

invoice payments if later audit of costs discloses that some of the provisionally paid costs are not allowable. Coordination with the auditor is important due to the potential application of our decision to the contracts of other federal agencies. A special request for any audit may be made if the Contracting Officer has reason to question cost elements or processes.

e. Provisional Billing Rates

Prior to each contract period, provisional indirect rates are established by the cognizant ACO. Indirect rates may be calculated for fringe benefits, labor overhead, and general and administrative (G&A) costs. These rates are based on the Contractor's projection of what the actual indirect costs are anticipated to be during the Contractor's fiscal year and the contract period. The established indirect rates are provisionally billed on the Contractor's monthly invoices and subsequently paid. The established indirect rates may be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.

f. Variance Analysis

The Contractor's monthly status/progress report submitted at the same time as the invoice will include a comparison of planned/estimated-to-complete costs and actual costs. If actuals differ from initial estimates in excess of plus or minus five percent, the Contractor shall explain the source of the variance. The RPM and/or NTR are responsible for ensuring the accuracy of the Contractor's variance analysis.

g. Invoice Review Responsibilities

The following functions must be performed by the appropriate personnel designated to support and administer the contract. The Contracting Officer will be responsible for contact with the Contractor, comparison of labor and indirect rates billed with rates negotiated and ceiling rates, requests for special audit reviews or input to annual required audits, and verification that the award fee is properly invoiced. In addition, the Contracting Officer is responsible for the final determination on allowability of costs and its resolution with the Contractor. Also the Contracting Officer should obtain a comprehensive list of all Contractor employees (including team subcontractors) to be utilized. A database is suggested so this information can easily be queried and updated. The suggested database fields are:

Employee Name
Job Title
Education/Degree
Professional Registration
Experience (number of years)
Hourly Rate

Individuals should utilize this database to verify and cross-check with the invoice that the appropriate discipline and level of employee is being utilized in accordance with the Plan of Action and monthly progress report. Any discipline that appears to be inappropriate or out of the ordinary should be questioned and reconciled prior to invoice approval or deducted from the invoice total until questions are satisfactorily answered.

RPM/NTR/COR personnel must determine whether labor (the employee database can be utilized), subcontracts, travel, and ODCs invoiced are required for appropriate performance of the tasks negotiated on a CTO.

Contracts personnel will provide support by verifying charges for travel in accordance with Joint Travel Regulations (JTRs) and review subcontract costs and ODCs for compliance with generally accepted accounting principles.

h. Appropriate Level of Review

To ensure a reasonable degree of cost control, a minimum of 25 percent of the total dollar amount of invoiced task orders should be reviewed. A thorough review of all the invoice cost elements on the 25 percent random sample must be done. As the number and amount of errors decreases after a period of review, the percentage and/or cost elements reviewed (i.e. ODCs) may be decreased in accordance with the Contracting Officer's written decision filed with the invoices. The selection of the targeted task orders will be at the discretion of the Contracting Officer. These elements are described in the Invoice Cost Elements section of this instruction. The Contractor is responsible for cost control over subcontracts and review of their invoices.

i. Invoice Cost Elements

Direct Labor. Will consist of the actual rates for labor incurred rather than budgeted rates, except when rates invoiced exceed a previously negotiated cap. Existence of a cap will limit the invoiced rate unless Contracting Officer approval of the excess rate is obtained.

Uncompensated Overtime. When salaried employees work in excess of 40 hours a week without pay, the effective rate of pay may be less than the wage rate billed. Two billing errors may result. One error is that the Contractor bills for more than the amount paid to the employee; e.g. for 50 hours when he only pays the employee for 40 hours. Another error is that the Contractor may bill for only 40 hours, pay the employee for 40 hours, and then use the employee on another contract for the additional 10 hours worked. Either method results in paying more than fair share of wages and any overheads applied to labor. The most correct method is for the Contractor to recalculate the wage rate each week based on the total hours worked. This gives us an effective labor rate which can be fairly billed on each CTO.

External Review: A labor floor check shall be accomplished annually in conjunction with the appropriate audit agency. Additional floor checks may be ordered if deemed necessary by the Contracting Officer. A minimum of one EFD/A representative will be appointed to accompany the audit agency during this review. Floor checks will consist of personnel interviews and timecard checks to determine if labor is being accurately charged to the contract. An Annual Incurred Cost Audit ensures that the labor costs were actually incurred and are allocable to the contract. The labor distribution system is also checked during a Billing System Review by DCAA conducted at least every three years.

Supporting Documentation. The Contractor shall submit in his monthly progress report a listing of the name, work title, hourly rate, and hours worked by each

employee performing under the task order. Any overtime premiums paid must be described in the invoice for comparison with the overtime previously approved.

Internal Review Responsibilities and Procedures: Invoices shall be reviewed by the COR, RPM, and/or NTR to ensure that the number of hours is reasonable and that the level of expertise utilized is appropriate to the CTO. The COR ensures this function is carried out. This will be accomplished by comparison of the implementation plan/work plan, the invoice, the monthly status/progress report, and the actual work completed as reported by the NTR and/or RPM. The contracts representative will conduct a rate check on the invoice to ensure that individuals are charged to the correct labor categories and that actual rates charged do not exceed the ceiling rates established in the contract for the respective labor categories.

Indirect Costs. Provisional rates are anticipated annual overhead and G&A rates and are subject to adjustments. Examples include fringe benefits, labor overhead, G&A, etc. The Contractor bills provisional indirect rates as established for a specific contract period. The rate billed cannot exceed any ceiling rates.

External Reviews: The audit agency may review the monthly invoices to ensure correct utilization of indirect rates. During an Annual Incurred Cost Audit, the audit agency determines the actual indirect costs for the period audited. Proposed indirect cost rates for each new option year proposal are reviewed by the audit agency for adequacy. Additional audit agency reviews of indirect costs can be requested if needed.

Internal Review Responsibilities and Procedures: The contracts representative will review the invoice to ensure compliance with current provisional rates and to verify calculations.

Other Direct Costs. ODCs include any costs that can be identified specifically with a particular final cost objective other than direct labor, subcontract costs, and travel. Examples are charges for computer usage, reproduction, communication, equipment, materials, etc.

External Review: Reviews of ODCs are normally a part of the Annual Incurred Cost Audit that is performed by the audit agency after the close of the Contractor's fiscal year. Special reviews can be requested from DCAA or another audit agency as potential problems are identified.

Supporting Documentation: For ODCs, the monthly invoice must include an itemized listing of the expense items which shows the following: description, amount, CTO charged, date incurred, date paid, and check number, if applicable. Additional supporting documentation will be obtained from the Contractor as necessary.

Internal Review Responsibilities and Procedures: The following reviews will be performed simultaneously by appropriate contracts, technical, and financial personnel:

1. The COR, RPM, and/or NTR will review for technical necessity and reasonableness by comparison with the basic Work Plan and progress performed.
2. A contracts representative will review charges against negotiated items for allowability and allocability of costs in accordance with the contract terms and the FAR.

Subcontracts

Team Subcontractor:

External Review: Labor floor checks and Annual Incurred Cost Audits will be performed.

Supporting Documentation: The subcontract section of the invoice must contain the same level of detail as the prime Contractor.

Internal Review Responsibilities and Procedures: The extent of review of the invoices will be the same as the prime Contractor.

Other Subcontractors.

External Review: If these subcontracts are awarded in accordance with an approved Contractor's Purchasing System as required by FAR 44.3, no additional external review is necessary.

Supporting Documentation Required: For the subcontractor costs, the monthly invoices must include the subcontractor's name and invoiced amount. If needed, additional information may be requested, such as copies of subcontract invoices and purchase orders.

Internal Review Responsibilities and Procedures: COR, RPM, and/or NTR will confirm the requirement and receipt of deliverables. With regard to subcontracts, the Contracting Officer ensures that the Contractor is continuing to use the approved Purchasing System. In the absence of an approved Purchasing System, specific consent to subcontract is required for all subcontracts greater than \$25,000.

Travel. Travel costs consist of transportation, lodging, meals, and incidental expenses incurred by Contractor personnel on official company business subject to the limitations of the JTRs, and directly attributable to the specific CTO.

External Review: Reviews performed by the audit agency of the Contractor's accounting system should provide reasonable assurance that travel costs are allowable. Special reviews can be requested if there are specific concerns.

Supporting Documentation Required: Invoices shall be accompanied by a travel summary listing the following information for each trip:

Name of Employee

Dates of Travel
Destination
Purpose/Task Order Number
Breakdown of Costs
Transportation
Lodging
Daily Meal and Incidental Expense Allowance
Detailed supporting documentation may be requested if further review is required.

Internal Review Responsibilities and Procedures:

1. The COR, RPM, and/or NTR will review for technical necessity and reasonableness from a work performance standpoint.
2. Contracts personnel will review for consistency and compliance with the JTRs and will provide the necessary support in review of potential problem areas identified by the technical or contracts representative.

Resolution of Invoice Discrepancies

The Contracting Officer will present to the Contractor the results of the invoice review, including any action which needs to be taken, such as billing adjustments resulting from disallowed and/or questionable costs.

A tracking system will be maintained of invoice review results which will include actions completed and outstanding (unresolved) items. This system shall include a brief description of the discrepancy or questionable item; reference to pertinent documents which support the discrepancy, including a referenced criteria (FAR, JTR, CAS, contract terms, etc.), if applicable; and recommended action, if any.

Conclusion

Cost control is an essential element of effective cost reimbursement contract management. As indicated above, the invoice review process can be a primary indicator of the effectiveness of the cost control process. Review of the various cost elements may be apportioned differently among the technical, contracts, and financial divisions of the EFD/EFA; but the Contracting Officer is responsible to ensure that someone is performing the necessary review on each element. Although many agencies and offices contribute to this invoice review process, the Contracting Officer is cautioned that delegating authority to another agency to negotiate common indirect rates or perform other functions does not diminish the overall responsibility for contract management. For maximum effectiveness the members of the invoice review team must provide mutual support toward the goal of successful contract management.

APPENDIX D

SAMPLE FIELD OVERSIGHT REPORT

FIELD MONITORING SITE VISIT REPORT

CONTRACT

CTO #: _____

Activity/Location: _____

Date/Time of Visit:

Location of Visit:

Activity Personnel Contacted:

Contractor Personnel Contacted:

Purpose of visit: Fact finding visit
 Periodic visit
 Follow-up visit for major deficiency (describe deficiency):

1. Brief description of site conditions and on-going work:

2. Is there any variance from field work identified in the work plan and actual work being performed? If yes, identify variance and any action required. Is variance justified?

3. Is Contractor performance on-site meeting work plan milestones? Is the Contractor on schedule? If not, identify discrepancies and corrective action required.

4. Is manpower on-site appropriate (e.g., qualifications, number of personnel) for accomplishing the tasks being performed and as identified in the work plan? If not, identify deficiencies and corrective actions desired.

5. Is equipment on-site appropriate for accomplishing the tasks being performed and as identified in the work plan? If not, identify inefficiencies and corrective actions desired.

6. Are Contractor on-site records appropriate and accurate for tasks being performed and as identified in the work plan? Are Contractor on-site records up-to-date? If not, identify inadequacies and corrective action required.

7. Are quality control procedures being followed? If not, identify discrepancies and corrective action required.

8. Is a site specific or the general Health and Safety Plan being followed? If not, identify discrepancies and corrective action required.

Have all workers received the proper health and safety training required by law? If not identify discrepancies and corrective action required.

What level of protection was being used?
Was site control adequate?

9. Which subcontractors were on site? General comments on management of on-site subcontractors:

10. General comments on Contractor efficiency, effectiveness, initiatives:

11. Additional comments on Contractor deficiencies and areas that require improvement:

12. Other comments:

APPENDIX E
NAVFAC QUARTERLY REPORT

CLEAN _____

RAC _____

FY _____

	PRIOR CONTR OBL TOT	CURRENT FY OBLIGATIONS				TOT F00	CUM OBL CONTRACT
		1ST QTR	2ND QTR	3 RD QTR	4TH QTR		
ERN ⁽¹⁾						\$0	\$0
BRAC						\$0	\$0
OTHR ⁽²⁾						\$0	\$0
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0

PMO						\$0	\$0
% OF TOT OBL							

SUBCONTRACT DATA

LARGE BUS						\$0	\$0
% OF SUBCONT	#DIV/0!						
SMALL BUS ⁽³⁾						\$0	\$0
% OF SUBCONT	#DIV/0!						
TOTAL	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	\$0	\$0
% OF TOT OBL							
WOSB ⁽⁴⁾						\$0	\$0
% OF TOT SB							
SDB ⁽⁵⁾						\$0	\$0
% OF TOT SB							

FP SUBKTS ⁽⁶⁾						\$0	\$0
LOCAL AWDS ⁽⁷⁾						\$0	\$0
% OF SUBCONT							
# LOCAL KTRS(8)						0	0

	PRIOR CONTR EXP TOT	CURRENT FY EXPENDITURES				TOT F00	CUM EXP CONTRACT
		1ST QTR	2ND QTR	3 RD QTR	4TH QTR		
ERN ⁽¹⁾						\$0	\$0
BRAC						\$0	\$0
OTHR ⁽²⁾						\$0	\$0
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PMO						\$0	\$0
% OF TOT							

Notes:

See Next page for explanations

Notes:

- (1) ERN should include all prior environmental funds (DERA, PA, etc)
- (2) OTHR includes all non-environmental and non-BRAC funds
- (3) TOT SM BUS represents total small business, including SDB, WOSB, JAWOD, HBCU/MI/TCU
- (4) WOSB represents the portion of total small business figure that is WOSB and WOSDB
- (5) SDB represents that portion of TOT SM BUS which is SDB, which includes HBCU/MI/TCU
- (6) FP SUBKTS includes fixed price subcontracts awarded to both large and small businesses
- (7) LOCAL AWARDS. "Local" defined as the county and all adjacent counties where the installation is located.
- (8) # of local large and small business ktrs

APPENDIX F

PURCHASING SYSTEM REVIEW GUIDELINES

DATA REQUIRED FOR PURCHASING SYSTEM REVIEW

1. Background Information

- a. Organizational Charts showing: Corporate, Division, and Purchasing (Material) Department Structure.
- b. A brief description of the Division/Company, its products and growth pattern.
- c. One (1) set of corporate and group policies and procedures and material manuals and other written directives (with references to current revisions) having a significant impact on the purchasing function.
- d. At least two weeks prior to the review, furnish copies of all current preprinted general and special purchase orders and subcontract terms and conditions with purchasing manual instructions for their use. Included should be your legal counsel certification that the terms and conditions are, or are not, in agreement with the Federal Acquisition Regulation (FAR), explaining and justifying any variations therefrom.
- e. Copies of reports used internally by Purchasing Management and those that Purchasing submits to higher management.
- f. A brief description of:
 1. Subcontract administration compared to "purchasing" as it applies to your company.
 2. Average purchasing experience and educational background of both buyers and supervisors.
 3. Vendor evaluation and rating methods (to include any "Total Quality Management" (TQM) initiatives affecting approved supplier lists).
 4. Advance purchasing planning program (not long lead scheduling, instead limit to planning for subcontract competition prior to program start-up, including the impact of any TQM initiatives for long-term subcontractor agreements).
 5. Alternate source development program (limited to obtaining subcontract competition after program start up).
 6. Purchasing cost savings/avoidance program.
 - (a) Dollar value of savings realized through price/cost analysis and negotiation techniques.
 - (b) Dollar savings through conversion from noncompetitive to competitive placements.
 - (c) Other.
 - (d) For contractors with approved purchasing system, the estimated number of purchase orders not requiring prior ACO consent due to the approval.
 7. Value analysis/engineering program (limited to reviewing purchased parts, the flow down of value engineering clauses to suppliers, and processing vendor VECFs).
 8. Standardization program.
 9. Make-or-buy programs (Identify prime contracts with FAR 52.215-9 and provide copies of programs).
 10. A brief description of your administration of major subcontracts, including:
 - (a) methods to control subcontractor plant visits, to control and process subcontract progress reports, and to monitor subcontract cost and schedule performance.

(b) Identify primes with Air Force "Subcontract Management" clause (some times identified by AFSC or AFLC 52.244-9001), and description of company efforts to comply therewith.

2. Special Purchasing Information

a. List, by order number and dollar value, all purchase orders valued in excess of \$2,500 charged to Government, commercial, and overhead accounts during the most recent twelve (12) month period.

b. A separate list by order number and dollar value of purchase actions issued in the following categories with the same period.

- (1) Open end and blanket orders
- (2) Corporate purchase agreements
- (3) Letter subcontracts and other undefinitized orders
- (4) Labor hour, time and material orders
- (5) Intercompany/divisional purchases
- (6) Consultant agreements which are true subcontracts (only those with definitive

statements of work, where consultants are independent of company supervision, and they are subject to termination for default for failure to perform — the intent is to exclude employees hired on contract—)

c. Complete the two questionnaires attached to this request.

III. The following data is required for inclusion in the report of your system. (Contractor 5 digit CAGE code (Contractor ID No. _____))

a. Background Data

Fiscal year: From _____ Through _____

Personnel:

<u>Average Number</u>	<u>Last Fiscal Year</u>	<u>Current Fiscal Year</u>	<u>Estimate for Next Fiscal Year</u>
Total Divisional	_____	_____	_____
Materiel Department	_____	_____	_____
Purchasing Department	_____	_____	_____
Buyers	_____	_____	_____
Supervisor	_____	_____	_____
Clerical	_____	_____	_____
Executive	_____	_____	_____

Sales Data:

<u>Prime</u>	<u>Last Fiscal Year</u>	<u>Current Fiscal Year</u>	<u>Estimate for Next Fiscal Year</u>
Army	_____	_____	_____
Navy	_____	_____	_____
Air Force	_____	_____	_____
NASA	_____	_____	_____

Other, consisting of

1. DLA	_____	_____	_____
2. Other DoD	_____	_____	_____
3. Other Gov't Agency	_____	_____	_____
Other Subtotal	_____	_____	_____

Total Gov't (Prime) _____

Total Comm'l (Prime) _____

Subcontracts

1. Government	_____	_____	_____
2. Comm'l (including Foreign Govts)	_____	_____	_____

Total Subcontractor Sales _____

Total Subcontractor (Prime & Subcontract) _____

b. Sales Data (U.S. Government) by Contract Type

Prime (Government)	<u>Last</u>	<u>Current</u>	<u>Estimate for</u>
Firm-Fixed Price	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Next Fiscal Year</u>
Negotiated	_____	_____	_____
Competitive	_____	_____	_____
(IFB)	_____	_____	_____
Other than Firm-Fixed Price	_____	_____	_____
Total	_____	_____	_____
Subcontract (Government)	<u>Last</u>	<u>Current</u>	<u>Estimate for</u>
Firm-Fixed Price	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Next Fiscal Year</u>
Negotiated	_____	_____	_____
Competitive	_____	_____	_____
(IFB)	_____	_____	_____
Other than Firm-Fixed Price	_____	_____	_____
Total	_____	_____	_____
Purchases	<u>Last</u>	<u>Current</u>	<u>Estimate for</u>
Total Value of POs	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Next Fiscal Year</u>
Number POs	_____	_____	_____
% of Sales	_____	_____	_____
Purchasing Dept.	_____	_____	_____
Operating Order	_____	_____	_____
Operating Cost per Purchase Order	_____	_____	_____
Operating Cost of Purchasing as % of Purchase Order Dollars	_____	_____	_____
Operating Cost as % of Contractor Sales	_____	_____	_____

c. Prime Government Contracts and Subcontracts held in excess of \$250,000

1. CONTRACT NUMBER TYPE DESCRIPTION FACE VALUE ULO#

(For fixed price prime contracts, identify the time periods during which they were undefinitized letter contracts.)

2. Total

d. Volume of Purchase ##

<u>Category</u>	<u>Current Year</u>
	<u>Number</u> <u>Dollars</u>
\$0 - \$10,000	_____
\$10,000 - \$25,000	_____
\$25,000 - \$100,000	_____
over \$100,000	_____

* Unliquidated Obligation (Monies still owed the Contractor by the Government)

* Exclude Blanket Ordering Agreements, but include their releases.

SUBCONTRACTOR KICKBACKS QUESTIONNAIRE

- 1. Contractor's Name: _____
- 2. Address: _____
- 3. Review Date: _____

4. In order to assess the extent of prime Contractor's procedure to monitor procurement personnel and minimize the opportunities for subcontractor kickbacks, please provide the following Information:

	<u>YES</u>	<u>NO</u>
a. Does your company have a published "standards of conduct" or "business ethics" policy which is made known to each buyer?	_____	_____
b. Does higher management approve purchases exceeding \$25,000 prior to buyers finalizing the transactions?	_____	_____
c. Does your company rotate commodity assignments among buyers?	_____	_____
d. Does your company have a procedure/practice of having a management element other than Purchasing; e.g., internal auditors; check with subcontractors and vendors as to whether they have noted any irregularities or questionable conduct in dealing with your buyers?	_____	_____
e. Does your company have a mechanism, like an information "hotline", where employees and subcontractors can report, in confidence, possible wrongdoing that has been observed to someone outside the purchasing chain?	_____	_____
f. Does your company report unethical conduct to the Government and provide restitution for any increased gain?	_____	_____

Verified by:

COMPANY OFFICIAL

CPSR TEAM CAPTAIN

CPSR PURCHASE ORDER SAMPLE QUESTIONNAIRE

1. Contractor's Name: _____

2. Address: _____

3. Review Dates: _____ Sample Period: _____

4. In order that a representative sample can be selected for review, please check the appropriate spaces provided below, as they apply to your company.

a. Your company records purchase order numbers manually (), or with ADPE ().

b. The purchase order list includes change orders (), major subcontracts (), blanket ordering agreements (), consultant agreements (), and shipments to vendors of rejected and refused material () or contractor furnished material or equipment, CFM or CFE ()?

c. Purchase order numbers are issued sequentially (), in blocks (), or with identifiers showing customer (), purchasing office location (), or account numbers ().

YES NO

d. Do purchase orders and major subcontracts have different numbering systems? _____ _____

e. Have any purchase order and subcontract records been previously reviewed by other Government CFSR teams at other geographic locations within this profit center? _____ _____

f. Except as noted below, and modified by the above (a. through e.), have all purchase orders and subcontracts been included in the universe data provided to the CPSR Team for the sample period shown? _____ _____

Purchases excluded from the universe:

Consultant Agreements (where the consultant is a contract hire, acting as an employee of the company, under the direct supervision of company personnel)

Standard Operation Services, such as for utilities, travel agency service, professional memberships, banking fees, etc.

Other: (Identify) _____

COMPANY OFFICIAL

ATTACHMENT 1

COST PROPOSAL SAMPLE FORMS

Form 1
DIRECT LABOR RATE SUBMISSION
PROFESSIONAL PERSONNEL

<u>KEY PERSONNEL</u>	<u>INDV.</u> <u>RATE</u>	<u>AVG.</u> <u>RATE</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
<u>ALL OTHER PROFESSIONAL</u>		
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____

Enter direct labor rates for all professional labor categories you plan to use on this contract. Express rates as hourly rates for a forty-hour week. Rates identified apply to the base year only. In the "INDV. RATE" column, enter the proposed individual rates for key personnel only. In the "AVG. RATE" column, enter average labor rates for all professional labor categories, including key personnel. Rates proposed will be considered baseline rates for purposes of establishing maximum or ceiling rates in the base year.

Form 2
INDIRECT RATE and AWARD FEE RATE PROJECTION FORM

The maximum (ceiling) indirect rates, including overhead and G&A rates, which may be charged on any effort performed under this contract for indirect expenses during the initial year of performance shall be limited to the following. Ceiling rates will be established for each option year at time of exercise of the option. (The listed indirect rate categories may be adjusted to reflect your estimating/accounting system.)

Award Fee rates are fixed at 10% for both prime and cost reimbursable subcontractor work.

<u>Indirect Rate/Fee Category</u>	<u>Ceiling Rate</u>
Fringe	_____
General & Administrative	_____
Facilities Capital Cost of Money	_____
Award Fee - Prime Contractor Work	__10%*__
Award Fee - Subcontractor Work	__10%*__

*Excludes fee on all cost reimbursable subcontractor work at any tier.

Should actual indirect rates experienced during performance of the contract be lower than those shown above, actual rates will be charged in lieu of the maximum rates.

Projected Indirect Rates:

	<u>Fringe</u>	<u>Overhead</u>	<u>G & A</u>	<u>FCCM</u>
Option Year 1	_____ %	_____ %	_____ %	_____ %
Option Year 2	_____ %	_____ %	_____ %	_____ %
Option Year 3	_____ %	_____ %	_____ %	_____ %
Option Year 4	_____ %	_____ %	_____ %	_____ %
Option Year 5	_____ %	_____ %	_____ %	_____ %
Option Year 6	_____ %	_____ %	_____ %	_____ %

**Form 3
INDIRECT RATES and FEE APPLICATION FORM**

Cost Element	Fringe	Overhead	G&A	FCCM	Fee	Multiplier
Direct Labor					10%	
Materials					10%	
Supplies					10%	
Equipment (Contractor-Owned)					10%	
Equipment (Contractor-Acquired Property)					0%	
Rental Equipment					10%	
Inventory					10%	
Travel					0%	
Subcontracts					10%	
Transportation & Disposal					10%	
Other					10%	

* The base for calculating award fee excludes fee on all cost reimbursable subcontractor work at any tier.

Only use base year indirect rates as applicable and in accordance with disclosed accounting practices. The multiplier is the factor that will be applied to direct costs to calculate fully burdened costs. The offeror may need to adjust the columns or rows to be consistent with its cost accounting system.

Award fee shall not be applied to costs for travel, Contractor-acquired property, Facilities Capital Cost of Money (FCCM), and fee on cost reimbursable subcontracts.

PROPOSED DISTRIBUTION OF WORK

Offerors shall include below the percentage of work expected to be performed by each proposed cost reimbursable subcontractor.

Prime	_____%
Cost Reimbursable Subcontractor	_____% (if applicable)
Cost Reimbursable Subcontractor	_____% (if applicable)
Total	100%

Form 4
IDENTIFICATION OF UNCOMPENSATED OVERTIME RATIOS

The purpose of this table is to identify the ratio derived by relating the proposed hours per week to 40 hours per week for each labor category. That ratio which is proposed for a particular labor category will apply for all personnel (including substitute and additional personnel) approved to work within a particular labor category for the duration of the contract period.

To be completed by proposer:

<u>Labor Category</u>	<u>Base Hourly Rate*</u>	<u>Hours Proposed Per Week</u>	<u>Ratio**</u>	<u>Proposed Rate Adjusted for Uncompensated Overtime***</u>
-----------------------	--------------------------	--------------------------------	----------------	---

* Base Hourly Rate - that is unadjusted for the effect of uncompensated overtime.

** Ratio - the percentage derived from the proposed hours per week in relation to a 40 - hour week (e.g. Project Manager, 40 hours/42 hours = 95.2%)

*** Proposed Rate Adjusted for Uncompensated Overtime - the Base Hourly Rate x the Ratio (e.g. \$10.00 x 95.2% = \$9.52)

Form 5
SERVICE CONTRACT ACT AND DAVIS BACON ACT

CEILING LABOR RATES

The maximum direct hourly labor rate ceiling for Service Contract Act labor categories are established at the applicable wage determination rates plus ____%.

The maximum direct hourly labor rate ceilings for Davis Bacon Act labor categories are established at the applicable wage determination rates plus ____%.

Should actual labor rates experienced during performance of the contract be lower than those shown above, actual rates will be charged in lieu of the maximum rates.

COST PROPOSAL EVALUATION
Sample Region Cost Model (Note 1)

	Historical	Market	Base	Proposed		Proposed		Offoror C
	Costs To Date (Note 2)	Rates (Note 3)	Adjustments Contract Amount (Note 4)	Rates (Note 5)	Offoror A	Rates (Note 5)	Offoror B	Rates (Note 5)
Direct Labor	\$50,000,000		\$53,987,509		53,987,509		53,987,509	
Fringe	\$17,500,000	35.00%	\$18,895,628	31.00%	\$16,736,128	0.00%	\$-	27.00%
Subtotal	\$67,500,000		\$72,883,137		70,723,636		53,987,509	
Overhead	\$30,375,000	45.00%	\$32,797,411	67.00%	\$47,384,836	78.00%	\$42,110,257	33.00%
Total Labor	\$97,875,000		\$105,680,548		\$118,108,473		\$96,097,765	
Materials	\$15,000,000		\$16,196,253		16,196,253		16,196,253	
ODCs	\$10,000,000		\$10,797,502		10,797,502		10,797,502	
Travel	\$5,000,000		\$5,398,751		5,398,751		5,398,751	
Subtotal	\$30,000,000		\$32,392,505		\$32,392,505		\$32,392,505	
Total Before G&A	\$127,875,000		\$138,073,053		\$150,500,978		\$128,490,270	
G&A	\$12,787,500	10.00%	\$13,807,305	9.50%	\$14,297,593	6.20%	\$7,966,397	8.50%
Subtotal	\$140,662,500		\$151,880,359		\$164,798,571		\$136,456,667	
Subs	\$75,000,000		\$80,981,263		80,981,263		80,981,263	
G&A	\$3,750,000	5.00%	\$4,049,063	9.50%	\$7,693,220	6.20%	\$5,020,838	5.00%
Subtotal	\$78,750,000		\$85,030,326		\$88,674,483		\$86,002,101	
Total Before	\$219,412,500		\$236,910,685		\$253,473,054		\$222,458,768	
FCCM								
FCCM	\$1,097,063	0.50%	\$1,184,553	0.00%	\$-	0.03%	\$66,738	0.02%
Total Before Fee	\$220,509,563		\$238,095,238		\$253,473,054		\$222,525,506	
Award Fee	\$11,025,478	5.00%	\$11,904,762	10.00%	\$25,347,305	10.00%	\$22,252,551	10.00%
Total Price	\$231,535,041		\$250,000,000		\$278,820,359		\$244,778,057	
			Adj Factor (Note 4) 1.079750172		Cost Ratio 1.115		Cost Ratio 0.979	Cost Ratio 0.964

Explanatory Notes

RAC experience in each of the four regions will be used as a basis for customizing the cost model on a regional basis. A Cost Model will be prepared for the prime and each cost reimbursable subcontractor by using percentages and in the manner proposed.

The Government will determine the mix of direct costs by cost element based upon RAC experience for each region.

Market rates are average indirect rates from a representative sample of firms. Proportioned direct costs will be burdened with market rates.

An adjustment factor is applied to Government pre-determined direct costs to calculate projected costs for each cost element, which when added, total \$250 million.

Proposed base and all option year indirect rates and the award fee rate of 10% from Form 2 will be entered for each contractor and applied to projected base costs. The indirect rate categories in Forms 2 and 3 and base costs will be adjusted as necessary to all for proper application of indirect rates in accordance with each offeror's disclosed practice.

The amounts presented above are only for informational purposes and are not representative of any actual amounts proposed.

Source Selection Information (FAR 3.104)

RFC Number

FOR OFFICIAL USE ONLY

**Pac Region Cost Model
Key Personnel Labor
Schedule A-2**

	Government	Offeror A		Offeror B		Offeror C	
		Rate	Rate	Rate	Rate	Rate	Rate
Key Labor Category							
Program Manager	53.53	0	0	0	0	0	0
Contract Administration	53.53	0	0	0	0	0	0
Certified Industrial Hygienist	53.53	0	0	0	0	0	0
Quality Program Manger	53.53	0	0	0	0	0	0
Senior ProjectEng./Mgr	53.53	0	0	0	0	0	0
Project Superintendent	53.52	0	0	0	0	0	0
Subtotal	321.17	0	0	0	0	0	0
Composite Rate*	53.53	0.00	0.00	0.00	0.00	0.00	0.00
Average Hour Per Year	1,920	1,920	1,920	1,920	1,920	1,920	1,920
Number of Years	7	7	7	7	7	7	7
Number of employees	6	6	6	6	6	6	6
Total Contract Hours	80,640	80,640	80,640	80,640	80,640	80,640	80,640
Total Key Personnel Labor	\$4,316,500	\$-	\$-	\$-	\$-	\$-	\$-
	53.53						

ATTACHMENT 2

STANDARD OPERATING PROCEDURE (SOP) FOR GOVERNMENT PROPERTY

STANDARD OPERATING PROCEDURE (SOP) FOR GOVERNMENT PROPERTY

Ref: (a) FAR Part 45, Government Property
(b) DFARS 245, Government Property
(c) DOD 4161.2-M, DOD Manual for Performance of Contract Property Administration

Encl: (1) Government Property System Analysis Review sheets

1. Purpose and Scope. Oversight of the Contractor's Government Property (GP) administrative procedures for Cost Plus Award Fee environmental contracts should be in accordance with references (a) through (c). The Contractors are responsible and accountable for all GP provided under the contracts and, therefore, shall establish and maintain a program for the use, maintenance, repair, protection, and preservation using sound business practice and in accordance with FAR 45.5.

2. Applicability. Comprehensive Long-term Action, Navy (CLEAN) contracts, Remedial Action Contracts (RAC) and Navy Unexploded Ordnance Response Contract (NURC).

3. Procedures.

- b. The Government Property Administrator (GPA)/Plant Clearance Officer (GPA/PCO) will conduct an annual system analysis of the CLEAN, RAC and NURC Contractor's GP systems. Each review will be conducted utilizing the detailed system analysis contained in pages 2-3 through 2-15 in conjunction with the random sampling procedures detailed in reference (c). Following the system analysis, the GPA/PCO shall prepare a report detailing the results of the analysis. This report will contain: (a) recommendation for continued approval of the Contractor's system; (b) recommend disapproval, in part or in whole, of the Contractor's system; (c) recommended changes in the system; and (d) provide an evaluation of the Contractor's overall performance.
- c. The CLEAN, RAC, and NURC Contractors are required to submit DD Form 1662 (DoD Property in the Custody of Contractors as of 30 September) each year for each contract by 30 October. The GPA/PCO will review/approve and forward to the Assistant Secretary of the Navy (ASN) by 15 November.
- d. All recommendations/plans for transfer or disposal of GP by the Contractors shall be reviewed/approved by the GPA/PCO ensuring that the transfer or disposal action is in accordance FAR and DFARS requirements and in the best interest of the Government.

**GOVERNMENT PROPERTY (GP)
SYSTEM ANALYSIS**

PROPERTY MANAGEMENT

Procedures

Written Procedures Provide Effective Property Control
Judgment

ACO/PMO Office

Written Procedures Maintained In Up-To-Date Status
Judgment

ACO/PMO Office

Corrective Action

Prepares Corrective Actions Plans
Judgment

ACO/PMO Office

Provides Interim Protection of GP when Deficiencies are Found
Judgment

ACO/PMO Office

Reporting Loss, Damaged or Destruction

Timely

Judgment

ACO/PMO Office

ACQUISITION

Acquisition Authority

Material Transfers between Contracts are Adequately Documented
Judgment

ACO/PMO Office

CO Consent or Approval is Obtained when Required
Judgment

ACO/PMO Office

Property Requirement Supported

BoM, MRL, Blueprint, or Drawing Supporting Procurement
Random Sample

ACO/PMO Office

Ordering Procedures

Documentation that Items Purchased are Not Available from existing Stock.
Random Sample

ACO/PMO Office

IDENTIFICATION

GP Identified

GP Labeled or Tagged

Random Sample

Warehouse/Field

RECORDS

All records of GP

Accurately Maintained

Random Sample

Warehouse/Field

Established for all GP

Random Sample

Warehouse/Field

Warranty

Accountable records are established for item returned under warranty.
Judgment

Warehouse/Field

STORAGE

Storage Areas

Housekeeping

Judgment

Warehouse/Field

GP Segregated from Contractor Property

Judgment

Warehouse/Field

Adequate Physical Security

Judgment
Warehouse/Field
Controlled Access Maintained for GP
Judgment
Warehouse/Field

PHYSICAL INVENTORIES

Performance

Performed in Accordance with Approved Schedule and Procedures
Judgment
Warehouse/Field
GP Inventoried is Properly Sighted and Counted
Judgment
Warehouse/Field

REPORTS

Accuracy and Completeness

Responsibility for Reports clearly assigned
Judgment
ACO/PMO Office
Data is current and accurate
Random Sample
Warehouse/Field

Report Submission

Timely
Judgment
ACO/PCO Office

UTILIZATION

Authorized Use

GP Used Only as Authorized by the Government Contract
Judgment
Warehouse/Field

MAINTENANCE

Preventative Maintenance

GP Scheduled for required periodic Maintenance
Judgment
ACO/PMO Office

DISPOSITION

Identification of Excess

Screening to identify Excess GP
Judgment
ACO/PMO Office
Prompt Notification to PA of Excess GP
Judgment
ACO/PMO Office

Disposal

Disposal is Accomplished in Accordance with FAR 45.6, Approved GP procedures or Other Contract Provisions
Judgment
ACO/PMO Office

Documentation of Disposal is complete and Reflects Authority, Disposal Action, Date of Disposal and is posted to record
Judgment
ACO/PMO Office

CTO CLOSE-OUT

Final CTO Review

Records indicate appropriate disposition of all Government Property furnished to or acquired for this CTO.
Judgment
ACO/PMO Office

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **PROPERTY MANAGEMENT**, the process of maintaining
an adequate System for Control of Government Property.

Subfunction: **Procedures**
Criteria: Written Procedures Provide for Effective Property Control
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes No N/A**
Narrative: _____

Criteria: Written Procedures Maintained In Up-To-Date Status
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

Sub-function: **Corrective Action**
Criteria: Prepares Corrective Actions Plans
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

Criteria: Provides Interim Protection of GP when Deficiencies are
Found
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

Sub-function: **Reporting Loss, Damaged or Destruction**
Criteria: Timely
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **ACQUISITION**, The process of acquiring Government Property either through requisition or transfer from Government sources or through purchase, including those made from Contractor stores.

Sub-function: **Acquisition Authority**
Criteria: Material Transfers between Contracts are Adequately Documented
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

Sub-function: **Acquisition Authority**
Criteria: CO Consent or Approval is Obtained when Required
Location: ACO/PMO Office
Review: Judgment

Finding: **Yes NO N/A**
Narrative: _____

Sub-function: **Property Requirement Supported**
Criteria: BoM, MRL, Blueprint, or Drawing Supporting Procurement
Location: ACO/PMO Office
Review: Random Sample (See Acquisition Random Sample Survey)

Finding: **Pass Fail**
Narrative: _____

Sub-function: **Ordering Procedures**
Criteria: Documentation that Items Purchased are Not Available From Existing Stock
Location: ACO/PMO Office
Review: Random Sample (See Acquisition Random Sample Survey)

Finding: **Pass Fail**
Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **IDENTIFICATION**, The process of properly identifying
Government Property.
Sub-function: **Identification Process**
Criteria: Government Property labeled, Tagged or Otherwise
Identified in a manner
Location: Warehouse/Field
Review: Random Sample (See Cumulative Warehouse/Field
Random Sample Survey)

Finding: **Pass Fail**
Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is
considered _____

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **RECORDS**, The official accountable records maintained by a Contractor to show status and to control all GP furnished to or otherwise acquired by the Contractor

Sub-function: **All records of GP**
Criteria: Accurately Maintained
Location: Warehouse/Field
Review: *Random Sample* (See Cumulative Warehouse/Field Random Sample Survey)

Finding: **Pass Fail**

Narrative: _____

Criteria: Established for all GP
Location: Warehouse/Field
Review: *Random Sample* (See Cumulative Warehouse/Field Random Sample Survey)

Finding: **Pass Fail**

Narrative: _____

Sub-function: **Warranty**
Criteria: Accountable records are established for item returned under warranty
Location: Warehouse/Field
Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **STORAGE**, The process of storing all types of Government Property

Sub-function: **Storage Areas**

Criteria: Housekeeping

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: GP Segregated from Contractor Property

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: Adequate Physical Security

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: Controlled Access Maintained for GP

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **PHYSICAL INVENTORIES**, The process of physically locating and counting Government Property and comparing it to the records of such property, including the posting of findings and adjustments and the reporting of adjustments to the PA.

Sub-function: **Performance**

Criteria: Performed in Accordance with Approved Schedule
And Procedures

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: GP Inventoried is Properly Sighted and Counted

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **REPORTS**, The preparation and submission of reports reflecting the status of Government Property as required by contract or regulation.

Sub-function: **Accuracy and Completeness**
Criteria: Responsibility for Reports clearly assigned
Location: ACO/PMO Office
Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: Data is Current and Accurate
Location: Warehouse/Field
Review: *Random Sample*

Finding: **Yes No N/A**

Narrative: _____

Sub-function: **Report Submission**
Criteria: Timely
Location: ACO/PCO Office
Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **UTILIZATION**, The process of using Government Property for the purpose for which furnished or acquired.

Sub-function: **Authorized Use**

Criteria: GP Used Only as Authorized by the Government Contract.

Location: Warehouse/Field

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **MAINTENANCE**, The process of providing the amount of care necessary to obtain a high quality of production and the most useful service life of Government Property.

Sub-function: **Preventative Maintenance**

Criteria: GP Scheduled for required periodic Maintenance

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **DISPOSITION**, The process of disclosing excess, requesting disposition instructions, and effecting disposal of Government Property.

Sub-function: **Identification of Excess**

Criteria: Continuous Screening to identify Excess GP

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: Prompt Notification to PA of Excess GP

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Sub-function: **Disposal**

Criteria: Disposal is Accomplished in Accordance with FAR 45.6, Approved GP procedures or Other Contract Provisions

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

Criteria: Documentation of Disposal is complete and Reflects Authority, Disposal Action, Date of Disposal and is posted to record.

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is considered

ACTION REQUIRED: _____

System Analysis Worksheets

Contract Number:
Contractor:
Performed By: _____
Date Performed: _____

Function: **CTO Close-out**, The process of properly closing out the
Property element of a CTO.

Sub-function: **Final CTO Review**

Criteria: Records indicate appropriate disposition of all
Government Property furnished to or acquired for this
CTO

Location: ACO/PMO Office

Review: *Judgment*

Finding: **Yes No N/A**

Narrative: _____

CONCLUSION: Based on the above findings, this functional segment is
considered

ACTION REQUIRED: _____

ATTACHMENT 3

**STRATEGY, STANDARD OPERATING PROCEDURES (SOP), AND PROCESS
FLOWCHART* FOR THE CLOSE-OUT OF THE ENVIRONMENTAL COST REIMBURSABLE
CONTRACTS**

***Note: Process flowchart to be incorporated by later addition.**

CLOSE-OUT STRATEGY

Close-outs of CPAF contracts require an immediate focus for accomplishment with participation and dedication by all members of the NAVFAC team. As discussed with Environmental and Acquisition personnel, implementation of close-out strategy for all CPAF contracts requires focus on:

- Close-out targets will be established annually.
- Upon completion of field work or final deliverable, individual CTOs shall have a close-out strategy and schedule established. Contractor award fee evaluations will evaluate CTO close-out schedule success as well as overall contract management support for close-outs.
- Length of CTOs should be monitored by the EFD/A by having an effective management control system in place for management, tracking, and documentation. The number of months for the length of the CTO should be carefully established and then monitored.
- In addition to RPMs, CORs are designated technical officials for "performance" close-out signature authority.
- An FM person should be designated for closeouts.
- For final close-out discrepancies of \$1,000 or less between the Government and Contractor records, authority is provided to write-off the difference. This provides flexibility within reason and should be used on a case-by-case basis when prudent.
- DCAA and cognizant CACO support should be obtained. Contracting Officers are to establish joint close-out schedules with cognizant CACO and DCAA.
- Monitoring of close-out status will be done through monthly metrics to be submitted to NAVFAC Headquarters.

STANDARD OPERATING PROCEDURES (SOP) FOR THE CLOSE-OUT OF ENVIRONMENTAL COST REIMBURSABLE CONTRACTS

Ref: (a) FAR 4.800
(b) FAR 52.216-7
(c) FAR 42.7

I. INTRODUCTION AND DEFINITIONS

A. INTRODUCTION

Purpose. This SOP establishes responsibility, prescribes procedures, and provides information regarding the close-out for CTOs and contracts in accordance with references (a), (b), and (c).

Scope. The provisions of this SOP apply to all ACOs administering cost reimbursement contracts. This document uses EFD/A to include the Naval Facilities Engineering Command Contracts Office (NAVFACCO), Port Hueneme, CA.

B. DEFINITIONS OF CONTRACT CLOSE-OUT TERMINOLOGY

Actual Rates. Indirect rates actually incurred but not yet audited or final, per reference (c).

Adjustment to Interim Close-out. Voluntary adjustments to interim closed CTOs.

Billing Rates. Indirect rates, generally based on Contractor's annual budget, used for provisional or interim billings, subject to final audit per reference (c).

Completion Voucher. Last voucher to be submitted that applies to the entire completed contract and/or CTO. In accordance with reference (b), the Contracting Officer must approve the completion voucher before payment.

Consumed on the Project. Small items used up such as protective clothing, small tools, larger equipment determined to be no longer useable, equipment incorporated into a structure remaining in place, and equipment/material determined to be lost through no fault or liability of the Contractor.

Discretionary versus Non-Discretionary. Indirect rate adjustments are non-discretionary and must be funded with original fiscal year funds. Discretionary increases such as cost growth or increase in scope utilize current fiscal year funds.

Final Rates. The indirect cost rates established and agreed upon by the Government and the Contractor are not subject to change. Based on completed annual incurred cost audit, final indirect rates are audit determined by cognizant auditors or negotiated by cognizant ACO per reference (c).

Incurred Cost Audit. Per reference (b), the "Allowable Cost and Payment" Clause in the contract requires the contractor to submit an incurred cost proposal within six months after the expiration of the Contractor's fiscal year. The submission will encompass direct and indirect

costs, including pool and base costs applicable to claimed indirect rates. The purpose of the annual incurred cost audit is to examine the direct and indirect cost representations for reasonableness, allowability, and allocability to Government contracts and to establish final indirect rates.

Quick Close-out. Close-out actions performed with the approval of the Contracting Officer per reference (c), "Quick Closeout Procedures".

Records and Data Close-out. Requirements to be determined by technical codes.

Release of Claims and Assignment of Rebates/Credits. A release of claims discharging the Government from all liabilities, obligations, and claims arising out of or under CTOs except as discussed in reference (b), section (h)(2)(ii). Contractor's release of entitlement to any refunds, rebates, or credits.

Special Audit. An ACO may request a "special audit" on the contract, CTO, or specific cost element when ACO sees recurring and/or significant questionable billings.

II. REQUIREMENTS BEFORE INTERIM CLOSE-OUT

A. Technical

The format for formal receipt, inspection, and acceptance of all deliverables under the CTO is a matter for local determination by the EFD/A technical codes. Performance evaluation as entered in ACASS/CCASS will be furnished for the CTO file.

B. Audits

Final annual incurred cost audits (includes direct and indirect costs) should be performed prior to final close-out; however, it is recognized they will not normally be completed before interim CTO close-outs can be performed. The cost impact of any special audits requested should be considered prior to interim CTO close-outs. These CTO close-outs can be based on provisional billing rates or actuals certified as part of the Contractor's annual incurred cost submissions.

C. Financial

Prior to appropriations closing, financial and program managers must ensure that services and materials that remain undelivered at the time of expiration of funds are delivered subsequently or action taken to terminate contractual obligations and deobligate funds. Financial and program managers at all levels are required to actively review contracts, unliquidated obligations, incomplete reimbursable orders, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure the validity of each item.

D. Award Fee

When a CTO is physically complete, the remaining award fee held will be released for consideration under the next award fee evaluation. This evaluation will usually occur during the time interim close-out records are being accumulated and shall be required before interim close-out.

E. Property Requirements

1. General Requirement. As a minimum, unless no property has been purchased under the contract, the Contractor will maintain a database of all equipment that thoroughly describes the equipment and maintains a record of its current location. A periodic scan for excess equipment should be accomplished during the life of the CTO.

2. Property Identified with the Project CTO. At physical completion of a CTO, the Contractor shall be required to submit a "Property CTO Interim Close-out Report and Certificate" (Figure 1) with an attached listing, verified by the Navy if required locally, of equipment and/or material that remains useable. The listing shall, as a minimum, list the useable equipment/material with a column for where transferred (e.g., CTO number) or how disposed of. Any additional local requirements can be added. The company signature required on this form will be the Contractor personnel determined to be responsible by the ACO. For purposes of this form, the EFD/A Government Property Administrator (GPA) means the individual designated under local rules to authorize transfer to another CTO or acknowledge consumption of equipment/material. It will be adequate for contracting purposes to state that the difference between the total purchased under the CTO as a direct charge and the balance designated as useable will be designated as consumed during the project. If equipment/material is being transferred to another contract, the GPA must sign the DD Form 1149 to authorize such transfer. If property management has been delegated to DCMC, the Contractor may have additional system requirements for which DCMC and the Contractor are responsible.

3. Property Centrally Managed under the PMO. Specific CTOs are modified annually to establish a budget for the new option year PMO, and Government Property could be purchased and funded under the PMO. It is advisable that at least the property portion be reviewed annually and a Property Interim Close-out Report and Certificate be prepared to evidence an agreement between the Contractor and the Government on the total value of property remaining useable and consumed during each option year.

4. Final Contract Close-out. The Contractor must provide a certified listing of all remaining useable equipment/material. Disposition of all property must be accomplished before final contract close-out. A DD Form 1593, "Contract Administration Completion Record", signed by the GPA,

acknowledges final clearance of all property under the contract. Refer to current Navy policy to determine how to dispose of ADP equipment. To ensure timely contract close-out, it is important to begin all possible disposition as early as practicable.

III. CTO CLOSE-OUT PROCEDURES

A. Performance Completion. Close-out occurs when 100 percent of the work is complete, the final ratings have been given, the Contractor has been notified to stop all charging and provide the interim close-out package, invoice reviews are complete, and all earned award fee has been paid.

B. Contractor Submissions. The ACO will review a package from the Contractor which consists of:

1. Contractor's Interim Release of Claims and Assignments of Rebates/Credits (Figure 2);

2. Property CTO Interim Close-out Report and Certificate as described in II.E. above.

3. Final Patent Clearance Report, if applicable;

Suggested forms are attached which may be modified to satisfy local requirements. However, the benefit to the Contractor of using one generic form for any CLEAN or RAC contract must be considered in forming additional requirements. Any changes would best be accomplished by attachments to the generic forms.

The Interim Release form will usually include as one of the exceptions "Final Audited Indirect Rates for Contractor's Accounting Year Ending _____."

Any material disagreement with the Contractor's package will result in removing the CTO from interim close-out procedures at this point.

C. Checklist. In accordance with FAR 4.804-5, a "CTO Close-out Checklist" will be used similar to the generic form in Figure (3). This checkoff list with all attachments will be included in the CTO file with its location clearly identified.

D. Deobligation. The Government must analyze any balance remaining on the CTO. If reliable audited cost history is not available, the analysis may include contacting the auditor to provide information on any probable significant changes to the incurred costs and/or any recent trends in indirect rates or cost impacts. The balance to be left in the CTO after deobligation is for local COR determination. Deobligation can be accomplished at any time during the life of the CTO when analysis shows it is appropriate.

IV. ADJUSTMENTS TO CTO CLOSE-OUT

A. Final Indirect Rates. Adjustments should be made upon determination of final indirect rates for the Contractor fiscal years included in the interim closed CTO. The EFD/A ACO will decide what documentation will be required to support the adjustment and subsequent billing.

B. Unaudited Indirect Rate Adjustments. Adjustments may also be made based on significant changes to indirect rates as a result of Contractor annual incurred cost submissions and circumstances resulting from any other special audits. Other adjustments may be made as required. There is no requirement for annual adjustments; however, it may be in the best interest of the Government to avoid the complexity of having to deal with too many fiscal years. It must at least occur with the expired portion of any annual appropriations if the deobligated appropriation amount is to be used for any other modifications.

V. FINAL CONTRACT CLOSE-OUT

A. Close-out Forms. In accordance with reference (a), final contract close-out shall occur within 36 months from physical completion and, wherever possible, shall occur within 12 months of receipt of final audited indirect rates from the CACO. A final contract close-out checklist shall be prepared in accordance with FAR 4.804-5. Any items not required under CLEAN/RAC contracts shall be designated "Not Applicable." Regardless of any forms previously submitted for CTOs, the requirements of the Allowable Cost and Payment Clause, FAR 52.216-7 shall be satisfied. Other standard close-out requirements shall be accomplished, such as:

1. Obtaining COR administration files to include in the official contract file;
2. Including a copy of the final ACASS/CCASS evaluation for the contract as a whole;
3. Signature of the ACO or PCO on the RAC "Contract Completion Statement", DD Form 1594.

B. Program Management. Beyond the final option year, costs to oversee unfinished CTOs and to accomplish final close-out must be addressed.

**CONTRACTOR'S INTERIM RELEASE OF CLAIMS
AND ASSIGNMENTS OF REBATES/CREDITS**

Pursuant to the terms of Contract _____ - _____ - _____ CTO _____ dated _____ between _____ and the Contractor and in consideration of the sum of \$ _____ which has been or is to be paid under said CTO, and upon final payment by the Government, the Contractor;

1. Certifies that the work under said CTO has been completed in compliance with all provisions of said contract, and that the Contractor will continue to comply with all provisions of said CTO.
2. Does hereby assign, transfer, set over and release to the Government all rights, title and interest to any refunds, rebates, credits and other amounts arising out of the performance of said CTO, and due to the Government under said CTO together with all rights of action accrued or which may hereafter accrue thereunder.
3. Does hereby remise, release and forever discharge the Government, its officers, agents, and employees, of and from all liabilities, obligation, claims and demands whatever in law and equity under or arising out of said CTO, including claims of any and all subcontractors, vendors and their employees, unless otherwise provided below:

This Assignment and Release is Executed
This _____ day of _____, 20 _____

Contractor

By: _____

Title: _____

CERTIFICATE

I, _____ certify that I am the _____ of the corporation named as Contractor in the foregoing assignment and release; that _____ who signed said release on behalf of the Contractor was the _____ of said corporation; that said release was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

Corporate Seal:

Certifier
Figure 2

CTO CLOSE-OUT CHECKLIST

CONTRACTOR:		
CONTRACT #:		
CTO/DO #		
TYPE OF CLOSEOUT: INTERIM ___ FINAL ___ QUICK CLOSEOUT ___		
	Date Completed	Initials
CLOSE-OUT VOUCHER RECEIVED		
FIS RECONCILIATION ANALYZED (M06-01/K35-02/C07-05)		
CTO Technical Completion Statement/ COR Signature		
Contractor Performance Evaluation		
Notification to Contractor; Request for Close-out Package		
Interim/Final Release of Claims		
Assignments of Rebates and Credits		
Patent Clearance Report; if Applicable		
Property Clearance		
Modification to Deobligate Excess Funds		
DD Form 1594 or otherwise acceptable form signed by ACO		
Typed/Printed Name	Title	
Signature (On completion of all actions)	Date Signed (yymmdd)	

Figure 3

**CONTRACTOR'S FINAL RELEASE OF CLAIMS
AND ASSIGNMENTS OF REBATES/CREDITS**

Pursuant to the terms of Contract _____ - _____ - _____ and in consideration of the sum of \$ _____, lawful money of the United States of America (hereinafter called the Government), which has been or is to be paid under the said contract by the Government, the Contractor;

1. Certifies that the work under said contract has been completed in compliance with all provisions of said contract, and that the Contractor will continue to comply with all provisions of the contract.

2. Does hereby assign, transfer, set over and release to the Government all rights, title and interest to any refunds, rebates, credits and other amounts arising out of the performance of said contract, and due to the Government under said contract together with all rights of action accrued or which may hereafter accrue thereunder.

3. Does hereby remise, release, and forever discharge the Government, its officers, agents, and employees, of and from all liabilities, obligations, claims, and demands whatever in law and in equity under or arising out of said contract, including claims of any and all subcontractors, vendors and their employees.

IN WITNESS WHEREOF, this release has been executed this _____ day of _____, 20_____.

Contractor

By: _____

Title: _____

CERTIFICATE

I, _____ certify that I am the _____ of the corporation named as Contractor in the foregoing assignment and release; that _____ who signed said release on behalf of the Contractor was the _____ of said corporation; that said release was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

Corporate Seal:

Certifier

Figure 4