

242.7503

contracting officers in contract administration activities.

(g) *Mitigating the risk of accounting system deficiencies on specific proposals.*

(1) Field pricing teams shall discuss identified accounting system deficiencies and their impact in all reports on contractor proposals until the deficiencies are resolved.

(2) The contracting officer responsible for negotiation of a proposal generated by an accounting system with an identified deficiency shall evaluate whether the deficiency impacts the negotiations. See also PGI 242.7502(g)(2). If it does not, the contracting officer should proceed with negotiations. If it does, the contracting officer should consider other alternatives, *e.g.*—

(i) Allowing the contractor additional time to correct the accounting system deficiency and submit a corrected proposal;

(ii) Considering another type of contract;

(iii) Using additional cost analysis techniques to determine the reasonableness of the cost elements affected by the accounting system's deficiency;

(iv) Reducing the negotiation objective for profit or fee; or

(v) Including a contract (reopener) clause that provides for adjustment of the contract amount after award.

(3) The contracting officer who incorporates a reopener clause into the contract is responsible for negotiating price adjustments required by the clause. Any reopener clause necessitated by an accounting system deficiency should—

(i) Clearly identify the amounts and items that are in question at the time of negotiation;

(ii) Indicate a specific time or subsequent event by which the contractor will submit a supplemental proposal, including certified cost or pricing data, identifying the cost impact adjustment necessitated by the deficient accounting system;

(iii) Provide for the contracting officer to adjust the contract price unilaterally if the contractor fails to submit the supplemental proposal; and

(iv) Provide that failure of the Government and the contractor to agree to

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the price adjustment shall be a dispute under the Disputes clause.

[76 FR 28870, May 18, 2011, as amended at 77 FR 11366, Feb. 24, 2012; 77 FR 76940, Dec. 31, 2012; 80 FR 10390, Feb. 26, 2015]

242.7503 Contract clause.

Use the clause at 252.242–7006, Accounting System Administration, in solicitations and contracts when contemplating—

(a) A cost-reimbursement, incentive type, time-and-materials, or labor-hour contract; or

(b) A contract with progress payments made on the basis of costs incurred by the contractor or on a percentage or stage of completion.

[76 FR 28870, May 18, 2011, as amended at 77 FR 11366, Feb. 24, 2012; 82 FR 61481, Dec. 28, 2017]

PART 243—CONTRACT MODIFICATIONS

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AUTHORITY: 41 U.S.C. 1303 and 48 CFR chapter 1.

SOURCE: 56 FR 36446, July 31, 1991, unless otherwise noted.

Subpart 243.1—General

243.107-70 Notification of substantial impact on employment.

The Secretary of Defense is required to notify the Secretary of Labor if a modification of a major defense contract or subcontract will have a substantial impact on employment. The clause prescribed at 249.7003(c) requires that the contractor notify its employees, its subcontractors, and State and local officials when a contract modification will have a substantial impact on employment.

[56 FR 67220, Dec. 30, 1991, as amended at 70 FR 67922, Nov. 9, 2005]

243.170 Identification of foreign military sale (FMS) requirements.

Follow the procedures at PGI 243.170 for identifying contract modifications that add FMS requirements.

[70 FR 67922, Nov. 9, 2005]

243.171 Obligation or deobligation of funds.

Follow the procedures at PGI 243.171 when obligating or deobligating funds.

[70 FR 67922, Nov. 9, 2005]

243.172 Application of modifications.

Follow the procedures in 204.1671 for determining the sequence for application of modifications to a contract or order.

[77 FR 30368, May 22, 2012, as amended at 81 FR 9786, Feb. 26, 2016]

Subpart 243.2—Change Orders

243.204 Administration.

Follow the procedures at PGI 243.204 for administration of change orders.

[75 FR 48277, Aug. 10, 2010]

243.204-70 Definitization of change orders.

243.204-70-1 Scope.

(a) This subsection applies to unpriced change orders with an estimated value exceeding \$5 million.

(b) Unpriced change orders for foreign military sales and special access programs are not subject to this section, but the contracting officer shall

apply the policy and procedures to them to the maximum extent practicable. If the contracting officer determines that it is impracticable to adhere to the policy and procedures of this section for an unpriced change order for a foreign military sale or a special access program, the contracting officer shall provide prior notice, through agency channels, to the Office of the Principal Director, Defense Pricing, Contracting, and Acquisition Policy (Contract Policy) via email at *osd.pentagon.ousd-a-s.mbr.asda-dp-c-contractpolicy@mail.mil*.

[75 FR 48277, Aug. 10, 2010, as amended at 88 FR 73237, Oct. 25, 2023; 89 FR 60832, July 29, 2024]

243.204-70-2 Price ceiling.

Unpriced change orders shall include a not-to-exceed price.

[75 FR 48277, Aug. 10, 2010]

243.204-70-3 Definitization schedule.

(a) Unpriced change orders shall contain definitization schedules that provide for definitization by the earlier of—

(1) The date that is 180 days after issuance of the change order (this date may be extended but may not exceed the date that is 180 days after the contractor submits a qualifying proposal); or

(2) The date on which the amount of funds obligated under the change order is equal to more than 50 percent of the not-to-exceed price.

(b) Submission of a qualifying proposal in accordance with the definitization schedule is a material element of the contract. If the contractor does not submit a timely qualifying proposal, the contracting officer may suspend or reduce progress payments under FAR 32.503-6, or take other appropriate action.

[75 FR 48277, Aug. 10, 2010, as amended at 82 FR 61481, Dec. 28, 2017]

243.204-70-4 Limitations on obligations.

(a) The Government shall not obligate more than 50 percent of the not-to-exceed price before definitization. However, if a contractor submits a qualifying proposal before 50 percent of

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the not-to-exceed price has been obligated by the Government, the limitation on obligations before definitization may be increased to no more than 75 percent (*see* 232.102-70 for coverage on provisional delivery payments).

(b) Obligations should be consistent with the contractor's requirements for the undefinitized period.

[75 FR 48277, Aug. 10, 2010]

243.204-70-5 Exceptions.

(a) The limitations in 243.204-70-2, 243.204-70-3, and 243.204-70-4 do not apply to unpriced change orders for the purchase of initial spares.

(b) The limitations in 243.204-70-4(a) do not apply to unpriced change orders for ship construction and ship repair.

(c) The head of the agency may waive the limitations in 243.204-70-2, 243.204-70-3, and 243.204-70-4 for unpriced change orders if the head of the agency determines that the waiver is necessary to support—

(1) A contingency operation; or

(2) A humanitarian or peacekeeping operation.

[75 FR 48277, Aug. 10, 2010]

243.204-70-6 Allowable profit.

When the final price of an unpriced change order is negotiated after a substantial portion of the required performance has been completed, the head of the contracting activity shall ensure the profit allowed reflects—

(a) Any reduced cost risk to the contractor for costs incurred during contract performance before negotiation of the final price;

(b) Any reduced cost risk to the contractor for costs expected to be incurred during performance of the remainder of the contract; and

(c) The extent to which costs have been incurred prior to definitization of the unpriced change order (*see* 215.404-71-3(d)(2)). The risk assessment shall be documented in the price negotiation memorandum.

[75 FR 48277, Aug. 10, 2010, as amended at 83 FR 30587, June 29, 2018]

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243.204-70-7 Plans and reports.

To provide for enhanced management and oversight of unpriced change orders, departments and agencies shall—

(a) Include in the Consolidated Undefinitized Contract Action (UCA) Management Plan required by 217.7405, the actions planned and taken to ensure that unpriced change orders are definitized in accordance with this subsection; and

(b) Include in the Consolidated UCA Management Report required by 217.7405, each unpriced change order with an estimated value exceeding \$5 million.

[75 FR 48277, Aug. 10, 2010]

243.204-71 Certification of requests for equitable adjustment.

(a) A request for equitable adjustment to contract terms that exceeds the simplified acquisition threshold may not be paid unless the contract certifies the request in accordance with the clause at 252.243-7002.

(b) To determine if the dollar threshold for requiring certification is met, add together the absolute value of each cost increase and each cost decrease. *See* PGI 243.204-71(b) for an example.

(c) The certification required by 10 U.S.C. 3862(a), as implemented in the clause at 252.243-7002, is different from the certification required by 41 U.S.C. 7103, Disputes. If the contractor has certified a request for equitable adjustment in accordance with 10 U.S.C. 3862(a), and desires to convert the request to a claim under the Contract Disputes statute, the contractor shall certify the claim in accordance with FAR subpart 33.2.

[62 FR 37147, July 11, 1997, as amended at 63 FR 11541, Mar. 9, 1998; 70 FR 67922, Nov. 9, 2005; 76 FR 58137, Sept. 20, 2011; 76 FR 76320, Dec. 7, 2011; 77 FR 35881, June 15, 2012; 87 FR 76996, Dec. 16, 2022]

243.205 Contract clauses.

244.305-71 Contract clause.

243.205-70 Pricing of contract modifications.

Use the clause at 252.243-7001, Pricing of Contract Modifications, in solicitations and contracts when anticipating and using a fixed price type contract.

[56 FR 36446, July 31, 1991. Redesignated at 66 FR 49865, Oct. 1, 2001]

243.205-71 Requests for equitable adjustment.

Use the clause at 252.243-7002, Requests for Equitable Adjustment, in solicitations and contracts, including solicitations and contracts using FAR part 12 procedures for the acquisition of commercial products and commercial services, that are estimated to exceed the simplified acquisition threshold.

[63 FR 17124, Apr. 8, 1998. Redesignated at 66 FR 49865, Oct. 1, 2001; 78 FR 37989, June 25, 2013; 88 FR 6588, Jan. 31, 2023; 88 FR 17356, Mar. 22, 2023]

243.205-72 Unpriced change orders.

See the clause prescriptions at 217.7406 for all unpriced change orders with an estimated value exceeding \$5 million.

[75 FR 48278, Aug. 10, 2010]

PART 244—SUBCONTRACTING POLICIES AND PROCEDURES

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244.402 Policy requirements.

244.403 Contract clause.

AUTHORITY: 41 U.S.C. 1303 and 48 CFR chapter 1.

SOURCE: 56 FR 36447, July 31, 1991, unless otherwise noted.

Subpart 244.1—General

244.101 Definitions.

As used in this subpart—

Acceptable purchasing system and *purchasing system* are defined in the clause at 252.244-7001, Contractor Purchasing System Administration.

Significant deficiency is defined in the clause at 252.244-7001, Contractor Purchasing System Administration.

[76 FR 28871, May 18, 2011]

Subpart 244.2—Consent to Subcontracts

244.201 Consent and advance notification requirements.

[78 FR 69272, Nov. 18, 2013]

244.201-1 Consent requirements.

(a) In accordance with section 824 of the National Defense Authorization Act for Fiscal Year 2019 (Pub. L. 115-232), notwithstanding the requirements in FAR 44.201-1(a), the contracting officer shall not withhold consent to subcontract without the written approval of the program manager, or comparable requiring activity official exercising program management responsibilities, if the contractor has an approved purchasing system, as defined in FAR 44.101.

(S-70) In solicitations and contracts for information technology, whether acquired as a service or as a supply, that is a covered system or covered item of supply as those terms are defined at 239.7301, consider the need for a consent to subcontract requirement regarding supply chain risk (see subpart