32.503-9 Liquidation rates-alternate method.

(a) The liquidation rate determined under 32.503-8 *shall* apply throughout the period of contract performance unless the *contracting* officer adjusts the liquidation rate under the *alternate* method in this 32.503-9. The objective of the *alternate* liquidation rate method is to permit the contractor to retain the earned profit element of the contract prices for completed items in the liquidation process. The *contracting officer may* reduce the liquidation rate if-

(1) The contractor requests a reduction in the rate;

(2) The rate has not been reduced in the preceding 12 months;

(3) The contract delivery schedule extends at least 18 months from the contract award date;

(4) Data on actual costs are available-

(i) For the *products* delivered, or

(ii) If no deliveries have been made, for a performance period of at least 12 months;

(5) The reduced liquidation rate would result in the Government recouping under each *invoice* the full extent of the progress payments applicable to the costs allocable to that *invoice*;

(6) The contractor would not be paid for more than the costs of items delivered and accepted (less allocable progress payments) and the earned profit on those items;

(7) The unliquidated progress payments would not exceed the limit prescribed in paragraph (a)(5) of the Progress Payments clause;

(8) The parties agree on an appropriate rate; and

(9) The contractor agrees to certify annually, or more often if requested by the *contracting officer*, that the *alternate* rate continues to meet the conditions of subsections5, 6, and 7 of this section.The certificate *must* be accompanied by adequate supporting information.

(b) The *contracting officer shall* change the liquidation rate in the following circumstances:

(1) The rate *shall* be increased for both previous and subsequent transactions, if the contractor experiences a lower profit rate than the rate anticipated at the time the liquidation rate was associated with contract items already delivered, as well as subsequent progress payments.

(2) The rate *shall* be increased or decreased in keeping with the successive changes to the contract price or target profit when-

(i) The target profit is changed under a fixed-price incentive contract with successive targets; or

(ii) A redetermined price involves a change in the profit element under a contract with prospective price redetermination at stated intervals.

(c) Whenever the liquidation rate is changed, the *contracting officer shall* issue a *contract modification* to specify the new rate in the Progress Payments clause.Adequate consideration for these *contract modifications* is provided by the consideration included in the initial contract.The

parties *shall* promptly make the payment or liquidation required in the circumstances.

Parent topic: 32.503 Postaward matters.