32.503-12 Maximum unliquidated amount.

(a) The *contracting officer shall* ensure that any excess of the unliquidated progress payments over the contractual limitation in paragraph (a) of the Progress Payments clause in the contract is promptly corrected through one or more of the following actions:

(1) Increasing the liquidation rate.

(2) Reducing the progress payment rate.

(3) Suspending progress payments.

(b) The excess described in paragraph (a) of this section is most likely to arise under the following circumstances:

(1) The costs of performance exceed the contract price.

(2) The *alternate* method of liquidation (see 32.503-9)is used and the actual costs of performance exceed the cost estimates used to establish the liquidation rate.

(3) The rate of progress or the quality of contract performance is unsatisfactory.

(4) The rate of rejections, waste, or spoilage is exces-sive.

(c) As required, the services of the *responsible audit agency* or office *should* be fully utilized, along with the services of qualified cost analysis and engineering personnel.

Parent topic: 32.503 Postaward matters.