

# Subpart 42.3 - Contract Administration Office Functions

**Parent topic:** [Part 42 - Contract Administration and Audit Services](#)

## 42.301 General.

When a contract is assigned for administration under [subpart 42.2](#), the *contract administration office* (CAO) shall perform contract administration functions in accordance with 48 CFR Chapter 1, the contract terms, and, unless otherwise agreed to in an interagency agreement (see [42.002](#)), the applicable regulations of the *servicing agency*.

## 42.302 Contract administration functions.

(a) The *contracting officer* normally delegates the following contract administration functions to a CAO. The *contracting officer* may retain any of these functions, except those in paragraphs (a)(5), (a)(9), (a)(11) and (a)(12) of this section, unless the *cognizant Federal agency* (see [2.101](#)) has designated the *contracting officer* to perform these functions.

(1) Review the contractor's compensation structure.

(2) Review the contractor's *insurance* plans.

(3) Conduct post-award orientation conferences.

(4) Review and evaluate contractors' proposals under [subpart 15.4](#) and, when negotiation will be accomplished by the *contracting officer*, furnish comments and recommendations to that officer.

(5) Negotiate *forward pricing rate agreements* (see [15.407-3](#)).

(6) Negotiate advance agreements applicable to treatment of costs under contracts currently assigned for administration (see [31.109](#)).

(7) Determine the allowability of costs suspended or disapproved as required (see [subpart 42.8](#)), direct the *suspension* or disapproval of costs when there is reason to believe they *should* be suspended or disapproved, and approve final vouchers.

(8) Issue Notices of Intent to Disallow or not Recognize Costs (see [subpart 42.8](#)).

(9) Establish *final indirect cost rates* and billing rates for those contractors meeting the criteria for *contracting officer* determination in [subpart 42.7](#).

(10) Attempt to resolve issues in controversy, using ADR procedures when appropriate (see [subpart 33.2](#)); prepare findings of fact and issue decisions under the Disputes clause on matters in which the administrative *contracting officer* (ACO) has the authority to take definitive action.

(11) In connection with Cost Accounting Standards (see [30.601](#) and 48 CFR chapter 99)-

- (i) Determine the adequacy of the contractor's disclosure statements;
  - (ii) Determine whether disclosure statements are in compliance with Cost Accounting Standards and [part 31](#);
  - (iii) Determine the contractor's compliance with Cost Accounting Standards and disclosure statements, if applicable; and
  - (iv) Negotiate price adjustments and execute *supplemental agreements* under the Cost Accounting Standards clauses at [52.230-2](#), [52.230-3](#), [52.230-4](#), [52.230-5](#), and [52.230-6](#).
- (12) Determine the adequacy of the contractor's accounting system. The contractor's accounting system *should* be adequate during the entire period of contract performance. The adequacy of the contractor's accounting system and its associated internal control system, as well as contractor compliance with the Cost Accounting Standards (CAS), affect the quality and validity of the contractor data upon which the Government *must* rely for its management oversight of the contractor and contract performance.
- (13) Review and approve or disapprove the contractor's requests for payments under the progress payments or performance-based payments clauses.
- (14) Make payments on assigned contracts when prescribed in agency *acquisition* regulations.
- (15) Manage special bank accounts.
- (16) Ensure timely notification by the contractor of any anticipated overrun or underrun of the estimated cost under cost-reimbursement contracts.
- (17) Monitor the contractor's financial condition and advise the *contracting officer* when it jeopardizes contract performance.
- (18) Analyze quarterly limitation on payments statements and take action in accordance with [subpart 32.6](#) to recover overpayments from the contractor.
- (19) Issue tax exemption forms.
- (20) Ensure processing and execution of duty-free entry certificates.
- (21) For *classified contracts*, administer those portions of the applicable industrial security program delegated to the CAO (see [subpart 4.4](#)).
- (22) Issue work requests under maintenance, overhaul, and modification contracts.
- (23) Negotiate prices and execute *supplemental agreements* for spare parts and other items selected through provisioning procedures when prescribed by agency *acquisition* regulations.
- (24) Negotiate and execute contractual documents for settlement of partial and complete contract terminations for convenience, except as otherwise prescribed by [part 49](#).
- (25) Negotiate and execute contractual documents settling cancellation charges under multiyear contracts.
- (26) Process and execute novation and change of name agreements under [subpart 42.12](#).

(27) Perform property administration (see [part 45](#)).

(28) Perform necessary screening, redistribution, and disposal of contractor inventory.

(29) Issue *contract modifications* requiring the contractor to provide packing, crating, and handling services on excess Government property. When the ACO determines it to be in the Government's interests, the services *may* be secured from a contractor other than the contractor in possession of the property.

(30) When contractors request Government property-

(i) Evaluate the contractor's requests for Government property and for changes to existing Government property and provide appropriate recommendations to the *contracting officer*;

(ii) Ensure required screening of Government property before *acquisition* by the contractor;

(iii) Evaluate the use of Government property on a non-interference basis in accordance with the clause at [52.245-9](#), Use and Charges;

(iv) Ensure payment by the contractor of any rental due; and

(v) Modify contracts to reflect the addition of Government-furnished property and ensure appropriate consideration.

(31) Perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract delivery schedules.

(32) Perform preaward surveys (see [subpart 9.1](#)).

(33) Advise and assist contractors regarding their priorities and allocations responsibilities and assist *contracting offices* in processing requests for special assistance and for priority ratings for privately owned capital equipment.

(34) Monitor contractor industrial labor relations matters under the contract; apprise the *contracting officer* and, if designated by the agency, the cognizant labor relations advisor, of actual or potential labor disputes; and coordinate the removal of urgently required material from the strikebound contractor's plant upon instruction from, and authorization of, the *contracting officer*.

(35) Perform traffic management services, including issuance and control of Government bills of lading and other transportation documents.

(36) Review the adequacy of the contractor's traffic operations.

(37) Review and evaluate preservation, packaging, and packing.

(38) Ensure contractor compliance with contractual quality assurance requirements (see [part 46](#)).

(39) Ensure contractor compliance with contractual safety requirements.

(40) Perform engineering surveillance to assess compliance with contractual terms for schedule, cost, and technical performance in the areas of design, development, and production.

(41) Evaluate for adequacy and perform surveillance of contractor engineering efforts and management systems that relate to design, development, production, engineering changes,

subcontractors, tests, management of engineering resources, reliability and maintainability, data control systems, configuration management, and independent research and development.

(42) Review and evaluate for technical adequacy the contractor's logistics support, maintenance, and modification programs.

(43) Report to the *contracting office* any inadequacies noted in specifications.

(44) Perform engineering analyses of contractor cost proposals.

(45) Review and analyze contractor-proposed engineering and design studies and submit comments and recommendations to the *contracting office*, as required.

(46) Review engineering change proposals for proper classification, and when required, for need, technical adequacy of design, producibility, and impact on quality, reliability, schedule, and cost; submit comments to the *contracting office*.

(47) Assist in evaluating and make recommendations for acceptance or rejection of waivers and deviations.

(48) Evaluate and monitor the contractor's procedures for complying with procedures regarding restrictive markings on data.

(49) Monitor the contractor's *value engineering* program.

(50) Review, approve or disapprove, and maintain surveillance of the contractor's purchasing system (see [part 44](#)).

(51) Consent to the placement of subcontracts.

(52) Review, evaluate, and approve plant or division-wide small, small disadvantaged, women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business master subcontracting plans.

(53) Obtain the contractor's currently approved company- or division-wide plans for small, small disadvantaged, women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business subcontracting for its *commercial products*, or, if there is no currently approved plan, assist the *contracting officer* in evaluating the plans for those *products*.

(54) Assist the *contracting officer*, upon request, in evaluating an *offeror's* proposed small, small disadvantaged women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business subcontracting plans, including documentation of compliance with similar plans under prior contracts.

(55) By periodic surveillance, ensure the contractor's compliance with small, small disadvantaged, women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business subcontracting plans and any *labor surplus area* contractual requirements; maintain documentation of the contractor's performance under and compliance with these plans and requirements; and provide advice and assistance to the firms involved, as appropriate.

(56) Maintain surveillance of flight operations.

(57) Assign and perform supporting contract administration.

(58) Ensure timely submission of required reports.

(59) Issue administrative changes, correcting errors or omissions in typing, contractor address, facility or activity code, remittance address, computations which do not require additional contract funds, and other such changes (see [43.101](#)).

(60) Cause release of *shipments* from contractor's plants according to the shipping instructions. When applicable, the order of assigned priority *shall* be followed; *shipments* within the same priority *shall* be determined by date of the instruction.

(61) Obtain contractor proposals for any contract price adjustments resulting from amended shipping instructions. Review all amended shipping instructions on a periodic, consolidated basis to ensure that adjustments are timely made. Except when the ACO has settlement authority, the ACO *shall* forward the proposal to the *contracting officer* for *contract modification*. The ACO *shall* not delay *shipments* pending completion and formalization of negotiations of revised shipping instructions.

(62) Negotiate and/or execute *supplemental agreements*, as required, making changes in packaging subcontractors or contract shipping points.

(63) Cancel unilateral *purchase orders* when notified of nonacceptance by the contractor. The CAO *shall* notify the *contracting officer* when the *purchase order* is canceled.

(64) Negotiate and execute one-time *supplemental agreements* providing for the extension of contract delivery schedules up to 90 days on contracts with an assigned Criticality Designator of C (see [42.1105](#)). Notification that the contract delivery schedule is being extended *shall* be provided to the *contracting office*. Subsequent extensions on any individual contract *shall* be authorized only upon concurrence of the *contracting office*.

(65) Accomplish administrative closeout procedures (see [4.804-5](#)).

(66) Determine that the contractor has a *drug-free workplace* program and drug-free awareness program (see [subpart 23.5](#)).

(67) Support the program, product, and project offices regarding program reviews, program status, program performance and actual or anticipated program problems.

(68) Monitor the contractor's environmental practices for adverse impact on contract performance or contract cost, and for compliance with environmental requirements specified in the contract. ACO responsibilities include-

(i) Requesting environmental technical assistance, if needed;

(ii) Monitoring contractor compliance with specifications or other contractual requirements requiring the delivery or use of *environmentally preferable products*, *energy-efficient products*, *products* containing *recovered materials*, and *biobased products*. This *must* occur as part of the quality assurance procedures set forth in [part 46](#); and

(iii) As required in the contract, ensuring that the contractor complies with the reporting requirements relating to *recovered material* content utilized in contract performance (see [subpart 23.4](#)).

(69) Administer commercial financing provisions and monitor contractor security to ensure its

continued adequacy to cover outstanding payments, when on-site review is required.

(70) Deobligate excess funds after final price determination.

(71) Ensure that the contractor has implemented the requirements of [52.203-13](#), Contractor Code of Business Ethics and Conduct.

(b) The CAO *shall* perform the following functions only when and to the extent specifically authorized by the *contracting office*:

(1) Negotiate or negotiate and execute *supplemental agreements* incorporating contractor proposals resulting from *change orders* issued under the Changes clause. Before completing negotiations, coordinate any delivery schedule change with the *contracting office*.

(2) Negotiate prices and execute priced exhibits for unpriced orders issued by the *contracting officer* under basic ordering agreements.

(3) Negotiate or negotiate and execute *supplemental agreements* changing contract delivery schedules.

(4) Negotiate or negotiate and execute *supplemental agreements* providing for the deobligation of unexpended dollar balances considered excess to known contract requirements.

(5) Issue amended shipping instructions and, when necessary, negotiate and execute *supplemental agreements* incorporating contractor proposals resulting from these instructions.

(6) Negotiate changes to interim billing prices.

(7) Negotiate and definitize adjustments to contract prices resulting from exercise of an economic price adjustment clause (see [subpart 16.2](#)).

(8) Issue *change orders* and negotiate and execute resulting *supplemental agreements* under contracts for ship *construction*, conversion, and repair.

(9) Execute *supplemental agreements* on firm-fixed-price supply contracts to reduce required *line item* quantities and deobligate excess funds when notified by the contractor of an inconsequential delivery shortage, and it is determined that such action is in the best interests of the Government, notwithstanding the default provisions of the contract. Such action will be taken only upon the written request of the contractor and, in no event, *shall* the total downward contract price adjustment resulting from an inconsequential delivery shortage exceed \$250.00 or 5 percent of the contract price, whichever is less.

(10) Execute *supplemental agreements* to permit a change in place of *inspection* at origin specified in firm-fixed-price supply contracts awarded to nonmanufacturers, as deemed necessary to protect the Government's interests.

(11) Prepare evaluations of contractor performance in accordance with [subpart 42.15](#).

(c) Any additional contract administration functions not listed in [42.302\(a\)](#) and (b), or not otherwise delegated, remain the responsibility of the *contracting office*.