42.709-1 Scope.

(a) This section implements 10 U.S.C. 3743 and 41 U.S.C. 4303. It covers the assessment of penalties against contractors which include unallowable *indirect costs* in-

(1) *Final indirect cost rate* proposals; or

(2) The final statement of costs incurred or estimated to be incurred under a fixed-price incentive contract.

(b) This section applies to all contracts in excess of $1 million, except fixed-price contracts without cost incentives or any firm-fixed-price contracts for the purchase of *commercial products* or *commercial services*.

Parent topic: 42.709 Penalties for Unallowable Costs.