



**DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221**

PROCLTR 2018-

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Contract Modifications – Deletion of Procurement Letter 2013-22, Dated January 10, 2013;
New Policy for Administrative Cost and Consideration Cost (Defense Logistics Acquisition Directive (DLAD) 43.102)

This PROCLTR deletes PROCLTR 2013-22, Contract Modifications, in its entirety. Contracting officers shall follow FAR Part 43 policies when issuing contract modifications.

This PROCLTR issues new policy at 43.102(b)(S-90), Administrative Cost, identifying administrative costs for contract modifications issued by specified Major Subordinate Commands and supply chains. This PROCLTR also issues new policy at 43.102(b)(S-91), Consideration Cost, which provides a formula as a potential method for calculating consideration. The contracting officer determines the most appropriate calculation method.

This PROCLTR is effective immediately. The DLAD is revised as shown in the attachment, which takes precedence over the published DLAD until this revision is incorporated in the published version. Please ensure widest dissemination to your acquisition workforce, and incorporate the policy changes into your training materials. The Policy, Pricing and Contract Compliance Division point of contact is Phyllis Orange, (571) 767-9691, DSN (392) 767-9691, or email: phyllis.orange@dla.mil.

MATTHEW R. BEEBE
Director, DLA Acquisition

Attachment:
As stated

DEFENSE LOGISTICS ACQUISITION DIRECTIVE

CONFIRMED COPY

**PART 43 – CONTRACT MODIFICATIONS
TABLE OF CONTENTS**

SUBPART 43.1 – GENERAL

43.102 Policy.

43.103 Types of contract modifications.

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43.102 Policy.

(b)(S-90) *Administrative cost.* The administrative cost for contract modifications issued by DLA Aviation, DLA Contracting Services Office, DLA Disposition Services, DLA Distribution, DLA Energy, DLA Land and Maritime, DLA Strategic Materials, and DLA Troop Support Industrial Hardware is \$250. The administrative cost for contract modifications issued by DLA Troop Support Construction and Equipment, Clothing and Textile, Subsistence, and Medical is \$750. These fees are in addition to consideration cost (see 43.102(b)(S-91)); and costs for Government reinspection or retest, if necessary.

(S-91) *Consideration cost.* The contracting officer determines the most appropriate calculation method. The formula below is provided as a potential method for calculating consideration for issuing the modification.

Formula: $(((E-1)/(E+1))+1)/100 * M * V + D$

Key: E = # of Extensions: The number of extension request instances that contractor asks for at the time of the modification (i.e., 1 for 1st request, 2 for 2nd request, and 10 for 10th request).

M = Lateness (expressed in months): The number of months the contractor has requested an extension. For example, if the contractor requests an extension of 30 days for the “current” delivery time, M would be 1. For 120 days, M would be 4. If this is the contractor’s second request, and they want another 120 days, M would still be 4.

V = Value of Extended Portion of Contract: The value of the material that is going to be delayed. If the total contract dollar value is for \$50K and the whole contract is going to be late, V would be \$50K. If the contractor is going to deliver half of the contract on time but needs more time on the other half, then V would be \$25K.

D = Direct Cost: Fixed costs associated with writing the modification, re-inspecting material, and any other cost the Government incurs for making the change (\$250 as the base).

Examples:

1. Contract is for \$1.5M contractor needs a 30 day extension: $(((1-1)/(1+1))+1)/100 * 1 * 1,500,000 + 250 = \$15,250$

2. Same contract, but now they need an additional 90 days: $(((2-1)/(2+1))+1)/100 * 3 * 1,500,000 + 250 = \$60,250.00$

3. Same contract, they have delivered half of their order, but they need 120 days to finish: $(((3-1)/(3+1))+1)/100 * 4 * 750,000 + 250 = \$45,250$

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(S-91) *Consideration cost.* The contracting officer determines the most appropriate calculation method. The formula below is provided as a potential method for calculating consideration for issuing the modification.

Formula: $(((E-1)/(E+1))+1)/100 * M * V) + D$

Key: E = # of Extensions: The number of extension request instances that contractor asks for at the time of the modification (i.e., 1 for 1st request, 2 for 2nd request, and 10 for 10th request).

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