

## Defense Federal Acquisition Regulation Supplement

### Part 252-Solicitation Provisions and Contract Clauses

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#### **252.242-7000 Postaward Conference.**

As prescribed in 242.570, use the following clause:

#### POSTAWARD CONFERENCE (DEC 1991)

The Contractor agrees to attend any postaward conference convened by the contracting activity or contract administration office in accordance with Federal Acquisition Regulation Subpart 42.5.

(End of clause)

#### **252.242-7001 Reserved.**

#### **252.242-7002 Reserved.**

#### **252.242-7003 Application for U.S. Government Shipping Documentation/Instructions.**

As prescribed in 242.1404-2-70, use the following clause:

#### APPLICATION FOR U.S. GOVERNMENT SHIPPING DOCUMENTATION/INSTRUCTIONS (DEC 1991)

The Contractor shall request Government bills of lading by submitting a DD Form 1659, Application for U.S. Government Shipping Documentation/Instructions, to the—

- (a) Transportation Officer, if named in the contract schedule; or
- (b) Contract administration office.

(End of clause)

#### **252.242-7004 Material Management and Accounting System.**

As prescribed in 242.7206, use the following clause:

#### MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM (SEP 1996)

- (a) *Definitions.* As used in this clause—

(1) “Material management and accounting system” means the Contractor's system or systems for planning, controlling, and accounting for the acquisition, use, issuing, and disposition of material. Material management and accounting systems may be manual or automated. They may be stand-alone systems or they may be integrated with planning, engineering, estimating, purchasing, inventory, accounting, or other systems.

- (2) “Valid time-phased requirements” means material which is—

(i) Needed to fulfill the production plan, including reasonable quantities for scrap, shrinkage, yield, etc.; and

(ii) Charged/billed to contracts or other cost objectives in a manner consistent with the need to fulfill the production plan.

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(3) “Contractor” means a business unit as defined in section 31.001 of the Federal Acquisition Regulation.

(b) *General.* The Contractor agrees to—

(1) Maintain a material management and accounting system (MMAS) that—

(i) Reasonably forecasts material requirements;

(ii) Ensures that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements; and

(iii) Maintains a consistent, equitable, and unbiased logic for costing of material transactions.

(2) Assess its MMAS and take reasonable action to comply with the MMAS standards in paragraph (f) of this clause.

(c) *Applicability.* Paragraphs (d) and (e) of this clause apply only if the Contractor—

(1) Is a large business; and

(2) Received, in its fiscal year preceding award of this contract, Department of Defense prime contracts or subcontracts, and their modifications totaling—

(i) \$70 million or more; or

(ii) \$30 million or more (but less than \$70 million), and is notified in writing by the Contracting Officer that paragraphs (d) and (e) apply.

(d) *Disclosure, demonstration, and maintenance requirements.*

(1) The Contractor shall—

(i) Disclose its MMAS to the Administrative Contracting Officer in writing;  
and

(ii) If requested by the Administrative Contracting Officer, demonstrate that the MMAS conforms to the standards in paragraph (f) of this clause.

(2) An MMAS disclosure is adequate when the Contractor has provided the Administrative Contracting Officer with documentation which—

(i) Accurately describes those policies, procedures, and practices that the Contractor currently uses in its MMAS; and

(ii) Provides sufficient detail for the Government to reasonably make an informed judgment regarding the adequacy of the MMAS.

(3) An MMAS demonstration is adequate when the Contractor has provided the Administrative Contracting Officer—

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(i) Sufficient evidence to demonstrate the degree of compliance of its MMAS with the standards at paragraph (f) of this clause; and

(ii) Identification of any significant deficiencies, the estimated cost impact of the deficiency, and a comprehensive corrective action plan.

(4) The Contractor shall disclose significant changes in its MMAS to the Administrative Contracting Officer within 30 days of implementation.

(5) If the contractor desires the Government to protect such information as privileged or confidential, the Contractor shall—

(i) Notify the Government representative to whom the information is submitted, i.e., the ACO, or the auditor; and

(ii) Ensure an appropriate legend is on the face of the document(s) at the time of submission.

(e) *Deficiencies.*

(1) If the Contractor receives a report which identifies deficiencies in its MMAS, the Contractor agrees to respond as follows—

(i) If the Contractor agrees with the report findings and recommendations, the Contractor shall—

(A) Within 30 days, state its agreement in writing; and

(B) Within 60 days, correct the deficiencies or submit a corrective action plan.

(ii) If the Contractor disagrees with the report findings and recommendations, the Contractor shall, within 30 days, state its rationale for each area of disagreement.

(2) The Administrative Contracting Officer shall evaluate the Contractor's response and notify the Contractor of the—

(i) Determination concerning remaining deficiencies;

(ii) Adequacy of any proposed or completed corrective action plan; and

(iii) Need for any new or revised corrective action plan.

(f) *MMAS standards.* MMAS systems shall have adequate internal accounting and administrative controls to ensure system and data integrity, and comply with the following:

(1) Have an adequate system description including policies, procedures, and operating instructions which comply with the Federal Acquisition Regulation and Defense FAR Supplement;

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(2) Ensure that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements as impacted by minimum/economic order quantity restrictions—

(i) A 98 percent bill of material accuracy and a 95 percent master production schedule accuracy are desirable as a goal in order to ensure that requirements are both valid and appropriately time-phased.

(ii) If systems have accuracy levels below these, the Contractor shall demonstrate that—

(A) There is no material harm to the Government due to lower accuracy levels; and

(B) The cost to meet the accuracy goals is excessive in relation to the impact on the Government;

(3) Provide a mechanism to identify, report, and resolve system control weaknesses and manual override. Systems should identify operational exceptions such as excess/residual inventory as soon as known;

(4) Provide audit trails and maintain records (manual and those in machine readable form) necessary to evaluate system logic and to verify through transaction testing that the system is operating as desired;

(5) Establish and maintain adequate levels of record accuracy, and include reconciliation of recorded inventory quantities to physical inventory by part number on a periodic basis. A 95 percent accuracy level is desirable. If systems have an accuracy level below 95 percent, the Contractor shall demonstrate that—

(i) There is no material harm to the Government due to lower accuracy levels; and

(ii) The cost to meet the accuracy goal is excessive in relation to the impact on the Government;

(6) Provide detailed descriptions of circumstances which will result in manual or system generated transfers of parts;

(7) Maintain a consistent, equitable, and unbiased logic for costing of material transactions—

(i) The Contractor shall maintain and disclose written policies describing the transfer methodology and the loan/pay-back technique.

(ii) The costing methodology may be standard or actual cost, or any of the inventory costing methods in 48 CFR 9904.411-50(b). Consistency shall be maintained across all contract and customer types, and from accounting period to accounting period for initial charging and transfer charging.

(iii) The system should transfer parts and associated costs within the same billing period. In the few instances where this may not be appropriate, the Contractor

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may accomplish the material transaction using a loan/pay-back technique. The “loan/pay-back technique” means that the physical part is moved temporarily from the contract, but the cost of the part remains on the contract. The procedures for the loan/pay-back technique must be approved by the Administrative Contracting Officer. When the technique is used, the Contractor shall have controls to ensure—

- (A) Parts are paid back expeditiously;
  - (B) Procedures and controls are in place to correct any overbilling that might occur;
  - (C) Monthly, at a minimum, identification of the borrowing contract and the date the part was borrowed; and
  - (D) The cost of the replacement part is charged to the borrowing contract;
- (8) Where allocations from common inventory accounts are used, have controls (in addition to those in paragraphs (b)(2) and (7) of this clause) to ensure that—
- (i) Reallocations and any credit due are processed no less frequently than the routine billing cycle;
  - (ii) Inventories retained for requirements which are not under contract are not allocated to contracts; and
  - (iii) Algorithms are maintained based on valid and current data;
- (9) Notwithstanding FAR 45.505-3(f)(1)(ii), have adequate controls to ensure that physically commingled inventories that may include material for which costs are charged or allocated to fixed-price, cost-reimbursement, and commercial contracts do not compromise requirements of any of the standards in paragraphs (f)(1) through (8) of this clause. Government furnished material shall not be—
- (i) Physically commingled with other material; or
  - (ii) Used on commercial work; and
- (10) Be subjected to periodic internal audits to ensure compliance with established policies and procedures.

(End of clause)

#### **252.242-7005 Cost/Schedule Status Report.**

As prescribed in 242.1107-70(a), use the following clause:

#### **COST/SCHEDULE STATUS REPORT (MAR 1998)**

- (a) The Contractor shall use management procedures in the performance of this contract that provide for—

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- (1) Planning and control of costs;
  - (2) Measurement of performance (value for completed tasks); and
  - (3) Generation of timely and reliable information for the cost/schedule status report (C/SSR).
- (b) As a minimum, these procedures must provide for—
- (1) Establishing the time-phased budgeted cost of work scheduled (including work authorization, budgeting, and scheduling), the budgeted cost for work performed, the actual cost of work performed, the budget at completion, the estimate at completion, and provisions for subcontractor performance measurement and reporting;
  - (2) Applying all direct and indirect costs and provisions for use and control of management reserve and undistributed budget;
  - (3) Incorporating changes to the contract budget base for both Government directed changes and internal replanning;
  - (4) Establishing constraints to preclude subjective adjustment of data to ensure that performance measurement remains realistic. The total allocated budget may exceed the contract budget base only after consultation with the Contracting Officer. For cost-reimbursement contracts, the contract budget base shall exclude changes for cost growth increases, other than for authorized changes to the contract scope; and
  - (5) Establishing the capability to accurately identify and explain significant cost and schedule variances, both on a cumulative basis and projected at completion basis.
- (c) The Contractor may use a cost/schedule control system that has been recognized by the cognizant Administrative Contracting Officer (ACO) as complying with the earned value management system criteria provided in DoD 5000.2-R, Mandatory Procedures for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs.
- (d) The Government may require integrated baseline reviews. Such reviews shall be scheduled as early as practicable and should be conducted within 180 calendar days after (1) contract award, (2) the exercise of significant contract options, or (3) the incorporation of major modifications. The objective of the integrated baseline review is for the Government and the Contractor to jointly assess areas, such as the Contractor's planning, to ensure complete coverage of the statement of work, logical scheduling of the work activities, adequate resourcing, and identification of inherent risks.
- (e) The Contractor shall provide access to all pertinent records, company procedures, and data requested by the ACO, or authorized representative, to—
- (1) Show proper implementation of the procedures generating the cost and schedule information being used to satisfy the C/SSR contractual data requirements to the Government; and

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(2) Ensure continuing application of the accepted company procedures in satisfying the C/SSR data item.

(f) The Contractor shall submit any substantive changes to the procedures and their impact to the ACO for review.

(g) The Contractor shall require a subcontractor to furnish C/SSR in each case where the subcontract is other than firm-fixed-price, is 12 months or more in duration, and has critical or significant tasks related to the prime contract. Critical or significant tasks shall be defined by mutual agreement between the Government and Contractor. Each subcontractor's reported cost and schedule information shall be incorporated into the Contractor's C/SSR.

(End of clause)

#### **252.242-7006 Cost/Schedule Status Report Plans.**

As prescribed in 242.1107-70(b), use the following provision:

##### **COST/SCHEDULE STATUS REPORT PLANS (MAR 1997)**

(a) The offeror shall submit a written summary of the management procedures it will establish, maintain, and use in the performance of any resultant contract to comply with the requirements of the clause at 252.242-7005, Cost/Schedule Status Report.

(b) If the offeror proposes to use a cost/schedule control system that has been recognized by the cognizant Administrative Contracting Officer as complying with the earned value management system criteria of DoD 5000.2-R, Mandatory Procedures for Major Defense Acquisition Programs (MDAPS) and Major Automated Information System (MAIS) Acquisition Programs, the offeror may submit a copy of the documentation of such recognition instead of the written summary required by paragraph (a) of this provision.

(End of provision)