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May the Clause be With You: 52.216-7

Allowable Cost and Payment





Your Instructor



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52.216-7 - Allowable Cost and Payment (Aug 2018)

- Invoicing
- Reimbursing Costs
- Small Business Concerns
- Final Indirect Cost Rates
- Billing Rates
- Quick-Closeout Procedures
- Audit
- Final Payment





Invoicing

- Not more than once every 2 weeks
- Amounts determined to be allowable with FAR Part 31 in effect on the date of this contract
- Not subject to interest penalty under Prompt Payment Act
- Generally paid 30 days after proper payment request
- •If an audit is required payment within 30 days is not compelled





Reimbursing Costs

- Pension, deferred profit sharing, and employee stock ownership plan contributions
- •When not delinquent in paying costs in the ordinary course of business:
 - Supplies, services & SubK financing payments:
 - provided payments determined due will be made in accordance with the terms and conditions of a subcontract or invoice; and ordinarily within 30 days of invoice submission
 - Materials issued from the Contractor's inventory and placed in the production process for use on the contract;
 - Direct labor;
 - Direct travel;
 - Other direct in-house costs; and
 - Properly allocable and allowable indirect costs





Reimbursing Costs (Continued)

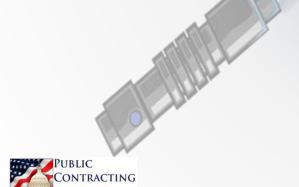
- Accrued costs of Contractor contributions under employee pension plans shall be excluded until actually paid unless -
 - practice is to make contributions to the retirement fund quarterly or more frequently; and
 - The contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period
- Allowable indirect costs under this contract shall be obtained by applying indirect cost rates established in accordance with this clause
- •Statements designating performance of services or furnishing of materials at the Contractor's expense or at no cost to the Government shall be disregarded for purposes of cost-reimbursement under this clause.





Small Business Concerns

Can invoice more frequently than every two weeks





Final Indirect Cost Rates

- •FAR 42.7
- Submit indirect cost rate proposal within 6 months of FYE
- Proposal must be based on actual cost
- Government shall establish final rates promptly
- Proposal shall include Schedules A through O
- May require supplemental information
- Final rate agreement will be written
- Failure to agree Dispute
- Completion invoice within 120 days





Schedules A through O

- A. Rate Summary
- B. G&A Pool
- C. Overhead Pool
- D. Occupancy
- E. Bases
- F. FCCOM
- G. Reconciliation
- H. Direct costs by Contract and Gov't Participation

- I. Cumulative Direct and Indirect Costs Claimed and Billed by contract
- J. Subcontracts
- K. T&M
- L. Labor Reconciliation
- M. Description Changes
- N. Certificate
- O. Contract Closing Information





Supplemental Information

- Comparative analysis
- Compensation ceiling information
- •ID of prime contracts
- Description of accounting system
- Procedures for identifying and excluding unallowable
- Certified financial statements
- Management letter from outside CPAs concerning any internal control weaknesses and corrective actions
- List of all internal audit reports
- Annual internal audit plan
- Federal and State income tax returns.

- SEC 10-K annual report
- Minutes from board of directors meetings.
- Listing of delay claims and termination claims
- Contract briefings





Billing Rates

- Until final rates are established, the Government shall reimburse the Contractor at billing
- These billing rates -
 - Shall be the anticipated final rates; and
 - •May be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.





Quick-Closeout Procedures

 Are applicable when conditions in FAR 42.708(a) are satisfied





Audit

- At any time or times before final payment, the Contracting Officer may request an audit of invoices, vouchers or statements of cost
- •Any payment may be:
 - Reduced by amounts found by the Contracting Officer to be unallowable costs; or
 - Adjusted for prior overpayments or underpayments.





Final Payment

- Completion invoice + Compliance with all terms of this contract = Prompt Payment of balance of cost and fee
- •The Contractor shall pay to the Government any refunds, rebates, credits, or other amounts (+ interest)
- Before final payment execute and deliver:
 - Assignment of refunds, rebates, credits, or other amounts
 - •A release discharging the Government, From all liabilities, obligations, and claims arising out of or under this contract, except FOR:
 - Specified claims
 - •Claims (including reasonable incidental expenses) based upon liabilities of the Contractor to third parties arising out of the performance of this contract; and
 - •Claims for reimbursement of costs, including reasonable incidental expenses, incurred by the Contractor under the patent clauses of this contract.





Alternates

- I. Construction contracts
- II. Educational institutions
- III. State, local and tribal cost principles
- IV. Non-profit organizations





Thank you for your time!

Call or reach out with any questions:

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