



PREP ASSIGNMENT
SEASON 2023, EPISODE SEVENTEEN
FAR PART 28
Bonds & Insurance and FAR PART 29
Taxes

Preparation Assignment (20 points each)

Fill In the Blank Questions:

1. A contracting officer shall not require a bid guarantee unless a performance bond or a performance and payment bond is also required (see 28.102 and 28.103). [Hint: Check out **FAR 28.101-1**]
2. (a) Generally, agencies shall not require performance and payment bonds for other than construction contracts. However, performance and payment bonds may be used as permitted in 28.103-2 and 28.103-3. [Hint: Check out **FAR 28.103-1**].
3. Agencies shall obtain adequate security for bonds (including coinsurance and reinsurance agreements) required or used with a contract for supplies or services (including construction).
 - (1) Corporate or individual sureties; or
 - (2) Any of the types of security authorized in lieu of sureties by 28.204. [Hint: Check out **FAR 28.201**]
4. When the Government requires the contractor to provide insurance coverage, the policies shall contain an endorsement that any cancellation or material change in the coverage adversely affecting the Government's interest shall not be effective unless the insurer or the contractor gives written notice of cancellation or change as required by the contracting officer. [Hint: Check out: **FAR 28.302**]
5. When purchases are not made by the Government itself, but by a prime contractor or by a subcontractor under a prime contract, the right to an exemption of the transaction from a sales or use tax may not rest on the Government's immunity from direct taxation by States and localities. It may rest instead on provisions of the particular State or local law involved, or, in some cases, the transaction may not in fact be expressly exempt from the tax. The Government's interest shall be protected by using the procedures in 29.101. [Hint: Check out **FAR 29.303**]

“Look ‘Em Ups” (Enter the FAR cite and Answer)

1. Under what situation is a contracting officer required to withhold “final payment” under a construction contract (containing a performance bond and surety clause) that has been physically completed?

If, after completion of the contract work, the Government receives written notice from the surety regarding the contractor’s failure to meet its obligation to its subcontractors or suppliers, the contracting officer shall withhold final payment. However, the surety must agree to hold the Government harmless from any liability resulting from withholding the final payment. The contracting officer will authorize final payment upon agreement between the contractor and surety or upon a judicial determination of the rights of the parties.

2. When may State and local tax considerations force special consideration during the contracting process? [Hint: Take a look at **FAR 29.304**]

The imposition of State and local taxes may result in special contract considerations including the following:

- (a) With coordination of the agency-designated counsel, a contract may (1) state that the contract price includes or excludes a specified tax or (2) require that the contractor take certain actions with regard to payment, nonpayment, refund, protest, or other treatment of a specified tax. Such special treatment may be appropriate when there is doubt as to the applicability or allocability of the tax, or when the applicability of the tax is being litigated.
- (b) The applicability of State and local taxes to purchases by the Federal Government may depend on the place and terms of delivery. When the contract price will be substantial, alternative places and terms of delivery should be considered in light of possible tax consequences.
- (c) Indefinite-delivery contracts for equipment rental may require the contractor to furnish equipment in any of the States. Since leased equipment remains the contractor’s property, States and local governments impose a wide variety of property, use, or other taxes on equipment leased to the Government. The amount of these taxes can vary considerably from jurisdiction to jurisdiction. See 29.401-1 for the prescription of the contract clause to be included in contracts when delivery points are not known at time of contracting.
- (d) The North Carolina State and local sales and use tax.

FAR Question: Under what circumstances may a contracting officer request a contractor to provide insurance coverage while performing under a fixed priced contract?

Although the Government is not ordinarily concerned with the contractor’s insurance coverage if the contract is a fixed-price contract, in special circumstances agencies may specify insurance requirements under fixed-price contracts. Examples of such circumstances include the following:

- (1) The contractor is, or has a separate operation, engaged principally in Government work.
- (2) Government property is involved.
- (3) The work is to be performed on a Government installation.
- (4) The Government elects to assume risks for which the contractor ordinarily obtains commercial insurance.

FUN Question: Speaking of insurance, one of my favorite TV shows starring an American zoologist named Marlin Perkins was sponsored by an insurance company. What was the name of that company. For an additional twenty (20) points, tell me the name of the show.

Mutual of Omaha
Wild Kingdom

FUN Question: Insurance coverage is important to the FAR and to our own personal lives! One of my favorite Disney-Pixar featured a character who worked in the claims department for an insurance company named "Insuricare". What was the name of that character. For an additional twenty (20) "fun" points, tell me who this character became when he was not processing claims.