

General Services Administration  
Washington, DC 20405

ADP 2800.12B Change 26  
February 9, 2009

## GSA ORDER

Subject: Amendment 2008-05; GSAR Case 2008-G512; Contract Administration and Audit Services (Change 26)

1. Purpose. This order transmits a revision to the General Services Administration Acquisition Manual (GSAM).
2. Background. The General Services Administration amends the GSA Acquisition Manual (GSAM) to revise coverage in Part 542, Contract Administration and Audit Services, that provides requirements for contract administration and audit services. This guidance supplements the Federal Acquisition Regulation (FAR) coverage provided in FAR Part 42 and in the FAR clauses found at FAR 52.242-1 through 52.242-4, 52.242-13 through 52.242-15, and 52.242-17.

GSA published GSAR Case 2008-G512, Change 26, final rule, in the *Federal Register* at 74 FR 863, January 9, 2009.

3. Effective date. February 9, 2009.
4. Explanation of changes. This GSAM Part 542 coverage updates and revises current GSAR coverage and replaces information contained in FSS Acquisition Letter 95-1, Supplement 7, Multiple Award Schedule Program Past Performance Reporting, FSS Acquisition Letter FX-03-4, Supplements #1 and #2, and Change 10 to FAS P 2901.2A Part 2.

5. Filing instructions. Insert the following pages to the GSAM:

Remove Pages

General Structure  
pp. vii and viii

Part 542 TOC  
pp. 542-i and 542-ii  
542-1 thru 542-4

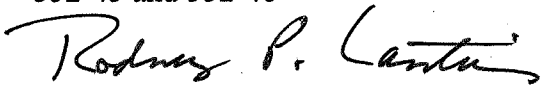
552-45 and 552-46

Insert Pages

General Structure  
pp. vii and viii

Part 542 TOC  
pp. 542-i and 542-ii  
542-1 thru 542-4

552-45 and 552-46



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**PART 542—CONTRACT ADMINISTRATION AND AUDIT SERVICES**

**542.001 Definitions.**

“Contract administration” means Government actions taken after contract award to obtain compliance with such contract requirements as timely delivery of supplies or services, acceptance, payment, and closing of the contract. These actions include technical, financial, audit, legal, administrative, and managerial services in support of the contracting officer. It may include additional tasks requested or needed by the contracting activity including support in the pre-award phase of contracting.

**Subpart 542.1—Contract Audit Services**

**542.102 Assignment of contract audit services.**

- (a) The contracting officer shall request all audit services through the Assistant Inspector General for Auditing or the Regional Inspector General for Auditing, as appropriate.
- (b) The contracting officer must follow the procedures set out in GSA Order, Audit Resolution and Follow-Up System (ADM P 2030.2C), for handling contract audit reports.

**Subpart 542.2—Contract Administration Services**

**542.202 Assignment of contract administration.**

- (a) Assignment of contract administration is the process whereby identified functions, duties, or responsibilities related to the administration of contracts are assigned to either a contract administration office (CAO) or an administrative contracting officer (ACO) within a contracting office.
- (b) Each contracting director must establish procedures that ensure that qualified personnel perform contract administration activities in an effective manner. Usually, the PCO or the ACO in the contracting office performs these activities (but see paragraphs (c)–(g) of this section).
- (c) If it is more efficient, management may establish a separate CAO. Consider each of the following:
  - (1) The nature and complexity of the contract.
  - (2) The need to perform contract administration at or near the contractor’s facility or the place of performance.
  - (3) The availability of resources.
- (d) The contracting officer may designate one or more representatives to perform specified functions such as quality assurance, production, price analysis, finance and various engineering and technical specialties. The contracting officer’s representatives (CORs) may not enter into or modify a contract or otherwise perform functions reserved for a con-

tracting officer (except see [543.202](#) for construction contracts).

(e) If the contracting officer delegates contract administration to an ACO or designates a contracting officer’s technical representative (COTR) or contracting officer’s representative (COR), then provide the contractor with the name of the ACO and any representative and identify the functions each is authorized to perform.

(f) The contracting officer may provide or make available to the ACO a complete copy of the contract file. The contracting officer may provide each COR and COTR with the contract file information they need to perform their duties

(g) The contracting officer may delegate to an ACO functions other than those listed in FAR 42.302 and [542.302\(b\)](#) after obtaining approval from the Senior Procurement Executive. The contracting officer may submit requests through the HCA. If approved, the contracting officer should follow FAR 42.202(c).

**Subpart 542.3—Contract Administration Office Functions**

**542.302 Contract administration functions.**

- (a) Assignment of contract administration office functions is the process whereby identified functions, duties, or responsibilities related to the administration of contracts are assigned to a contract administration office (CAO) or an administrative contracting officer (ACO) within a contracting office.
- (b) Usually, the CO or the ACO in the contracting office performs these activities (but see paragraphs (c)–(g) of this section).
- (c) If it is more efficient, management may establish a separate CAO. Consider each of the following:
  - (1) The nature and complexity of the contract.
  - (2) The need to perform contract administration at or near the contractor’s facility or the place of performance.
  - (3) The availability of resources.
- (d) The contracting officer may designate one or more representatives to perform specified functions such as quality assurance, production, price analysis, finance and various engineering and technical specialties. The contracting officer’s representative (COR or COTR) may not enter into or modify a contract or otherwise perform functions reserved for a contracting officer (except see [543.202](#)). However, the authority to issue in-scope change orders not exceeding \$25,000 may be delegated to a COTR assigned to construction contracts. See [543.202](#) and [501.603-2\(d\)](#).
- (e) If the contracting officer delegates contract administration to an ACO or designates a contracting officer’s technical

representative (COTR) or contracting officer's representative (COR), then the contracting officer must provide the contractor with the name of the ACO and any representative and identify the functions each is authorized to perform.

(f) The contracting officer shall provide or make available to the ACO a complete copy of the contract file and provide each COR and COTR with the contract file information needed to perform assigned duties.

(g) ACO functions other than those listed in FAR 42.302 may be delegated if the Senior Procurement Executive approves. Such requests must be submitted through the HCA. If approved, follow FAR 42.202(c).

### Subpart 542.11—Production Surveillance and Reporting

#### 542.1107 Contract clause.

The contracting officer shall insert [552.242-70](#), Status Report of Orders and Shipments, in solicitations and indefinite quantity and requirements contracts for Stock or Special Order Program items. The clause may be used in indefinite-delivery definite-quantity contracts for Stock or Special Order Program items when close monitoring is necessary because numerous shipments are involved.

### Subpart 542.12—Novation and Change-of-Name Agreements

#### 542.1203 Processing agreements.

Contracting officers should process agreements as soon as a complete package has been received from the contractor. If the proposed successor is a large business and the contract was originally awarded under a small business set-aside, the contracting officer shall—

(a) Notify and solicit comments from the SBTA (see FAR 42.1203(b) and (c)); and

(b) Not recognize the proposed successor if—

(1) The conclusion is that the transaction is intended to circumvent the requirements and objectives of the small business program; or

(2) If a MAS contract is involved and other MAS small business contracts exist for the same special item number(s); and

(c) Cancel the set-aside items if a MAS contract is involved and the contract has both set-aside and non-set-aside special item numbers, then process the novation request for the non-set-aside items.

### Subpart 542.15—Contractor Performance Information

#### 542.1503 Procedures.

(a) *Heads of Services.* (1) Consistent with FAR 42.1500 and this Subpart, the Head of each Service must take all the following actions:

(i) Establish mechanisms for systematically collecting and maintaining positive and negative information on contractor performance.

(ii) Identify pertinent performance data elements for collection.

(iii) Ensure that contractor performance information is readily available to contracting officials and other individuals with procurement-related responsibilities.

(iv) Clearly identify the officials responsible for collecting, disseminating, and applying this information in the acquisition process.

(2) The system for collecting contractor performance data should include, as appropriate:

(i) Timeliness of delivery or performance (for example: Adherence to contract delivery schedules; resolution of delays, number of “show cause” letters and “cure notices” issued, number of delinquent deliveries, number of contract extensions resulting from contractor-caused delays, and/or timely submission or performance or required tests).

(ii) Conformance of product or service to contract requirements (for example: Quality of workmanship, reliability, adequacy of correction of defects, number of safety defects, number of product rejections, results of laboratory tests, number and extent of warranty problems).

(iii) Customer comments (for example: Number and quality of positive comments, number and nature of complaints, and adequacy of resolving customer complaints).

(iv) Terminations for default.

(v) On-the-job safety performance record, including the number of lost or restricted workdays due to occupational injuries in comparison to the national average.

(vi) Adequacy of contractor's quality assurance system.

(vii) Compliance with other key contract provisions (for example: Subcontracting program, labor standards, safety standards, and reporting requirements).

(viii) Exhibiting customer-oriented behavior.

(ix) Other performance elements identified by the Service.

(b) *Senior Procurement Executive.* The Senior Procurement Executive is responsible for ensuring the evaluation of each Service's system for collecting and applying contract performance information for compliance with the FAR and GSAM.

(c) *Contracting directors.* The contracting director shall review and consider any disagreement between GSA and the



contractor regarding GSA’s evaluation of the contractor. Based on the review, the contracting director makes the final determination on the performance evaluation.

(d) *Contracting officers.* (1) The contracting officer shall promptly provide a copy of the contracting director’s final determination to the contractor.

(2) When responding to another department or agency request for past performance information, the contracting officer shall include a copy of any related contractor comments and contracting director’s final determination.

**Subpart 542.70—Audit of Contractor’s Records**

**542.7001 General.**

The OIG Office of Audits audits a contractor’s records if required by law, regulation, or sound business judgment. These audits include periodic or special request audits necessary to determine a contractor’s financial condition, adequacy of its accounting system, and integrity and reliability. The contracting officer should coordinate with technical specialists, finance and audit personnel to achieve the maximum benefits from these audits.

**542.7002 Purpose of audit.**

The contracting officer may obtain from audits advice or recommendations on the:

(a) Propriety of amounts paid, or to be paid, by GSA to a contractor when such amounts are based on a cost or time determination or on variable features related to the results of the contractor’s operations.

(b) Adequacy of a contractor’s measures to safeguard Government property in its custody or under its control.

(c) Contractor’s compliance with contractual obligations concerning progress payments, advance payments, guaranteed loans, cash return provisions, and price adjustments.

(d) Reasonableness of a contractor’s termination settlement proposals.

**542.7003 Additional internal controls.**

(a) The contracting officer should not rely solely on contractual audit rights. The contracting officer should establish internal controls or procedures for any flexible or variable features of these contracts:

- (1) Cost-reimbursement.
- (2) Time-and-materials or labor-hour.
- (3) Requirements or indefinite-quantity.

For example, for a time-and-materials or labor-hour contract performed at a Government facility or elsewhere, the contracting officer should provide for the review of time records. The contracting officer should provide for this review even if the contractor is subject to supervision by Government personnel.

(b) The contracting officer should establish these internal controls or procedures prior to the commencement of contract performance. Use any reasonable and reliable method or procedure that will enable the Government to determine the correctness of the charges for such matters as the time spent on the job and materials or supplies received. If needed, obtain assistance from the Assistant Inspector General for Auditing or the Regional OIG Audit Office.

**542.7004 Releasing or withholding of audit reports.**

The Freedom of Information Act requires the disclosure of Government records subject to certain exceptions. The contracting officer should consult with both the Assistant Inspector General for Auditing and the GSA Office of General Counsel before releasing or withholding a contract audit report.

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into by the Contractor with such an entity and the Federal Government is not a party.

(2) Where contract clauses refer to action by a Contracting Officer or a Contracting Officer of GSA, that shall mean the individual responsible for placing the order for the ordering activity (e.g., Federal Acquisition Regulation 52.212-4 at paragraph (f) and FSS clause I-FSS-249 B).

(3) As a condition of using this contract, eligible ordering activities agree to abide by all terms and conditions of the Schedule contract, except for those deleted clauses or portions of clauses mentioned in paragraph (a)(1) of this clause. Ordering activities may include terms and conditions required by statute, ordinance, regulation, order, or as otherwise allowed by State and local government entities as a part of a statement of work (SOW) or statement of objective (SOO) to the extent that these terms and conditions do not conflict with the terms and conditions of the Schedule contract. The ordering activity and the Contractor expressly acknowledge that, in entering into an agreement for the ordering activity to purchase goods or services from the Contractor, neither the ordering activity nor the Contractor will look to, primarily or in any secondary capacity, or file any claim against the United States or any of its agencies with respect to any failure of performance by the other party.

(4) The ordering activity is responsible for all payments due the Contractor under the contract formed by acceptance of the ordering activity's order, without recourse to the agency of the U.S. Government, which awarded the Schedule contract.

(5) The Contractor is encouraged, but not obligated, to accept orders from such entities. The Contractor may, within 5 days of receipt of the order, decline to accept any order, for any reason. The Contractor shall fulfill orders placed by such entities, which are not declined within the 5-day period.

(6) The supplies or services purchased will be used for governmental purposes only and will not be resold for personal use. Disposal of property acquired will be in accordance with the established procedures of the ordering activity for the disposal of personal property.

(7) The state or local government ordering activity will be responsible for purchasing products or services to be used to facilitate recovery from a major disaster declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 *et seq.*) or to facilitate recovery from terrorism or nuclear, biological, chemical, or radiological attack.

(b) If the Schedule Contractor accepts an order from an entity identified in paragraph (d) of the clause at [552.238-78](#), Scope of Contract (Eligible Ordering Activities)—Alternate I, the Contractor agrees to the following conditions—

(1) The ordering activity is responsible for all payments due the Contractor for the contract formed by acceptance of

the order, without recourse to the agency of the U.S. Government, which awarded the Schedule contract.

(2) The Contractor is encouraged, but not obligated, to accept orders from such entities. The Contractor may, within 5 days of receipt of the order, decline to accept any order, for any reason. The Contractor shall decline the order using the same means as those used to place the order. The Contractor shall fulfill orders placed by such entities, which are not declined within the 5-day period.

(c) In accordance with clause [552.238-74](#), Industrial Funding Fee and Sales Reporting, the Contractor must report the quarterly dollar value of all sales under this contract. When submitting sales reports, the Contractor must report two dollar values for each Special Item Number—

(1) The dollar value for sales to entities identified in paragraph (a) of the clause at [552.238-78](#), Scope of Contract (Eligible Ordering Activities)—Alternate I; and

(2) The dollar value for sales to entities identified in paragraph (d) of clause [552.238-78](#), Alternate I.

(d) A listing of the Federal Supply Schedule contracts for the products and services available for disaster recovery purchasing is accessible in GSA's Schedules e-Library at web site <http://www.gsaelibrary.gsa.gov>. Click on the link, "Disaster Recovery Purchasing, State and Local." The participating Contractors and the products and services available for disaster recovery purchasing will be labeled with the Disaster Recovery Purchasing icon.

(End of clause)

## 552.242-70 Status Report of Orders and Shipments.

As prescribed in [542.1107](#), insert the following clause:

### STATUS REPORT OF ORDERS AND SHIPMENTS (FEB 2009)

(a) The Contractor shall furnish to the Administrative Contracting Officer (ACO) a report covering orders received and shipments made during each calendar month of contract performance. The information required by the Government shall be reported on GSA Form 1678, Status Report of Orders and Shipments, in accordance with instructions on the form. The information required by the GSA Form 1678 may also be submitted in an automated printout form if authorized by the ACO. Alternatively, the required information may be reported by electronic data interchange using ANSI standards. For further information, contact GSA, Contract Administration Division [*Insert appropriate telephone number of QVOC*]. Reports shall be forwarded to the ACO no later than the seventh workday of the succeeding month.

(b) A copy of GSA Form 1678 will be forwarded to the Contractor with the contract. Additional copies of the form, if needed, may be reproduced by the Contractor.

(End of clause)

**552.243-71 Equitable Adjustments.**

As prescribed in [543.205](#), insert the following clause:

## EQUITABLE ADJUSTMENTS (JAN 2009)

(a) This clause governs the determination of equitable adjustments to which the Contractor may be entitled under the “Changes” clause prescribed by FAR 52.243-4, the “Differing Site Conditions” clause prescribed by FAR 52.236-2, and any other provision of this contract allowing entitlement to an equitable adjustment. This clause does not govern determination of the Contractor’s relief allowable under the “Suspension of Work” clause prescribed by FAR 52.242-14.

(b) At the written request of the Contracting Officer, the Contractor shall submit a proposal, in accordance with the requirements set forth herein, for an equitable adjustment to the contract for changes or other conditions that may entitle a Contractor to an equitable adjustment. If the Contractor deems an oral or written order to be a change to the contract, it shall promptly submit to the Contracting Officer a proposal for equitable adjustment attributable to such deemed change. The proposal shall also conform to the requirements set forth herein.

(c) The proposal shall be submitted within the time specified in the “Changes” clause, or such other time as may reasonably be required by the Contracting Officer. In the case of a proposal submitted based on the “Differing Site Conditions” clause, the notice requirement of that clause shall be met.

(d) Proposals for equitable adjustments, including no cost requests for adjustment of the contract’s required completion date, shall include a detailed breakdown of the following elements, as applicable:

- (1) Direct Costs.
- (2) Markups.
- (3) Change to the time for completion specified in the contract.

(e) *Direct Costs.* The Contractor shall separately identify each item of deleted and added work associated with the change or other condition giving rise to entitlement to an equitable adjustment, including increases or decreases to unchanged work impacted by the change. For each item of work so identified, the Contractor shall propose for itself and, if applicable, its first two tiers of subcontractors, the following direct costs:

- (1) Material cost broken down by trade, supplier, material description, quantity of material units, and unit cost (including all manufacturing burden associated with material fabrication and cost of delivery to site, unless separately itemized);
- (2) Labor cost broken down by trade, employer, occupation, quantity of labor hours, and burdened hourly labor

rate, together with itemization of applied labor burdens (exclusive of employer’s overhead, profit, and any labor cost burdens carried in employer’s overhead rate);

(3) Cost of equipment required to perform the work, identified with material to be placed or operation to be performed;

(4) Cost of preparation and/or revision to shop drawings and other submittals with detail set forth in paragraphs [\(e\)\(1\)](#) and [\(e\)\(2\)](#) of this clause;

(5) Delivery costs, if not included in material unit costs;

(6) Time-related costs not separately identified as direct costs, and not included in the Contractor’s or subcontractors’ overhead rates, as specified in paragraph [\(g\)](#) of this clause; and

(7) Other direct costs.

(f) Marked-up costs of subcontractors below the second tier may be treated as other direct costs of a second tier subcontractor, unless the Contracting Officer requires a detailed breakdown under paragraph [\(i\)](#) of this clause.

(g) *Extensions of Time and Time-related Costs.* The Contractor shall propose a daily rate for each firm’s time-related costs during the affected period, and, for each firm, the increase or decrease in the number of work days of performance attributable to the change or other condition giving rise to entitlement to an equitable adjustment, with supporting analysis. Entitlement to time and time-related costs shall be determined as follows:

(1) Increases or decreases to a firm’s time-related costs shall be allowed only if such increase or decrease necessarily and exclusively results from the change or other condition giving rise to entitlement to an equitable adjustment.

(2) The Contractor shall not be entitled to an extension of time or recovery of its own time-related costs except to the extent that such change or other condition necessarily and exclusively causes its duration of performance to extend beyond the completion date specified in the contract.

(3) Costs may be characterized as time-related costs only if they are incurred solely to support performance of this contract and the increase or decrease in such costs is solely dependent upon the duration of a firm’s performance of work.

(4) Costs may not be characterized as time-related costs if they are included in the calculation of a firm’s overhead rate.

(5) Equitable adjustment of time and time-related costs shall not be allowed unless the analysis supporting the proposal complies with provisions specified elsewhere in this contract regarding the Contractor’s project schedule.

(h) *Markups.* For each firm whose direct costs are separately identified in the proposal, the Contractor shall propose