



Millennium Challenge Corporation
Contracts and Grants Management Division
1099 14th Street NW | Suite 700 | Washington, DC 20005

MEMORANDUM

Date: November 14, 2025

From: Jonathan C. Hamlet
Managing Director & Senior Procurement Executive
Contracts and Grants Management Division
Department of Administration and Finance
Millennium Challenge Corporation

To: MCC Contracts and Grants Management Division Staff

Subject: Class Deviation to Implement the FAR Revisions Parts 42 *Contract Administration and Audit Services* and 52 *Solicitation Provisions and Contract Clauses* Issued on September 30, 2025

Findings

On April 15, 2025, President Trump signed the [Executive Order \(E.O.\) 14275, “Restoring Common Sense to Federal Procurement”](#) to reform the Federal Acquisition Regulation (FAR). This E.O. further advances the intent of the [E.O. 14192, “Unleashing Prosperity Through Deregulation,”](#) signed on January 31, 2025, which established that the policy of the executive branch is to be prudent and financially responsible in the expenditure of funds and to alleviate unnecessary regulatory burdens placed on the American people.

The E.O. orders the Administrator of the Office of Federal Public Procurement Policy (OFPP), in coordination with the other members of the Federal Acquisition Regulatory Council (FAR Council), the heads of agencies, and appropriate senior acquisition and procurement officials from agencies to amend the FAR to ensure that it contains only provisions that are required by statute or that are otherwise necessary to support simplicity and usability, strengthen the efficacy of the procurement system, or protect economic or national security interests. This project is referred to as the Revolutionary FAR Overhaul (RFO) initiative.

On May 2, 2025, the Office of Management and Budget (OMB) released its memo M-25-26 “Overhauling the Federal Acquisition Regulation” that directs all agencies to “Generally issue individual or class deviations to implement the FAR Council’s deregulated coverage within 30 days after the Council releases its model deviation text. Provide copies of class deviations to the FAR Secretariat at gsaregsec@gsa.gov for public posting on Acquisition.gov.”

On September 30, 2025, the FAR Council issued completed revisions for [FAR Part 42](#) and [FAR Part 52](#) clause. The RFO FAR Part 42 model deviation text has been streamlined from 17 subparts to 13

and places more emphasis on contractor performance evaluations and using performance information throughout the acquisition lifecycle, not just for source selection information.

The update removes language limiting past performance information to future “source selection” purposes and places an end date (April 1, 2026) on when evaluations should be marked as source selection.

This revision signals to acquisition teams that past performance information may be used throughout the acquisition lifecycle.

In addition, the deviated text makes certain permissive considerations during performance evaluations mandatory. For example, section 42.1503(b) previously suggested considerations to document on an evaluation report, but the deviated text (42.1103(b)) now states that these areas must be documented. This emphasizes the importance of documenting key information consistently.

Finally, the deviated text removes the limitation on evaluating performance on AbilityOne contracts (previously at 42.1502(h)). With removal of this limitation, contracting activities can now document performance evaluations for AbilityOne contractors, providing a useful tool to motivate good contract performance by AbilityOne contractors, and enabling high-performing AbilityOne contractors to use positive performance evaluations to compete for new opportunities.

Statutory requirements retained in the RFO FAR Part 42 model deviation include, but are not limited to, the following:

- 10 U.S.C. §§ 3741 et seq and 41 U.S.C. §§ 4301 et seq, Allowable Costs
- 10 U.S.C. § 3841 and 41 U.S.C. § 4706, Contractor Audits and Accounting
- 11 U.S.C. §§ 501 et seq, Creditors and Claims
- 31 U.S.C. § 1535, The Economy Act
- 41 U.S.C. § 1126, Policy Regarding Consideration of Contractor Past Performance
- 41 U.S.C. § 1326, Requirements for Executive Agencies
- 41 U.S.C. § 2313, Database for Federal Agency Contract and Grant Officers and Suspension and Debarment Officials
- 41 U.S.C. § 3102, Delegation and Assignment of Powers, Functions, and Responsibilities
- 41 U.S.C. § 4504, Conditions for Progress Payments
- 41 U.S.C. § 6305, Assignment of Contracts Act

Other key changes include:

Retained:

- Subpart 42.1, “Contract Audit Services,” is streamlined with plain language updates.
- Subpart 42.2, “Contract Administration Services,” is streamlined with plain language updates.
- Subpart 42.3, “Contract Administration Office Functions,” is retained. The list of 71 functions has been updated with plain language and revised cross-references to align with the new part structure.
- Most provisions and clauses have been retained (or remain reserved) with no changes. The only exception is noted in the “Moved/Updated” section below.

Updated:

- Subpart 42.4, “Corporate Administrative Contracting Officer,” is renumbered from subpart 42.6 and streamlined.
- Subpart 42.5, “Indirect Cost Rates,” is renumbered from subpart 42.7 and streamlined.
- Subpart 42.6, “Disallowance of Costs,” is renumbered from subpart 42.8 and streamlined.
- Subpart 42.7, “Bankruptcy,” is renumbered from subpart 42.9 and streamlined.
- Subpart 42.8, “Production Surveillance and Reporting,” is renumbered from subpart 42.11 and streamlined.
- Subpart 42.9, “Novation and Change-of-Name Agreements,” is renumbered from subpart 42.12 and streamlined.
- Subpart 42.10, “Suspension of Work, Stop-Work Orders, and Government Delay of Work,” is renumbered from subpart 42.13 and streamlined.
- Subpart 42.11, “Contractor Performance Information,” is renumbered from subpart 42.15. The structure of the “policy” and “procedures” sections (formerly 42.1502 and 42.1503, now 42.1102 and 42.1103) has been substantially improved. The subpart uses more headings, numbered lists, and subparagraphs to break down complex requirements into more digestible components.
 - Subsection 42.1101 removes language limiting past performance information to future “source selection” purposes
 - From: “Past performance information (including the ratings and supporting narratives) is relevant information, for future source selection purposes, regarding a contractor’s actions under previously awarded contracts or orders.”
 - To: “Past performance information (including the ratings and supporting narratives) is relevant information, for future purposes, regarding a contractor’s actions under previously awarded contracts or orders.”
 - Subsection 42.1103(d)(4) provides an end date for marking performance evaluations as source selection. It now states, “Evaluations of contractor performance developed on contracts awarded prior to April 1, 2026 should be marked ‘Source Selection Information’.” This update emphasizes that past performance information is no longer limited only to future source selection purposes.
 - Subsection 42.1103(f) replaces the reference to FAPIIS (formally at 42.1503(g)) with the “responsibility/qualification reports in the System for Award Management (SAM), at SAM.gov.”
- Subpart 42.12, “Small Business Contract Administration,” is renumbered from subpart 42.16 and streamlined.
- Subpart 42.13, “Forward Pricing Rate Agreements,” is renumbered from subpart 42.17 and streamlined.
- The following clause has been updated to align cross-references:
 - 52.242-3 (Clause), Penalties for Unallowable Costs
- The FAR Companion is expected to include best practice information not required in the FAR, on the following content:
 - Uses of performance information
 - Interagency agreements
 - Cognizant federal agency
 - Contract administration functions

- Contract correspondence
- Visits to contractors' facilities
- Evaluation of contract administration functions
- Postaward orientation
- Selecting contracts for postaward orientation
- Postward subcontractor conferences
- Procedures, related to distribution of documentation of indirect contract rates
- Production surveillance and reporting requirements
- Evaluation of Federal Prison Industries (FPI) performance

Removed:

- Former subparts 42.4, "Correspondence and Visits," and 42.5, "Postaward Orientation," are removed. Best practice content is expected to be moved to the FAR Companion.
- 42.1502 paragraph (h) is removed to allow for past performance evaluations of AbilityOne.

Determination

To fully comply with the President's E.O.s and the revised FAR Parts 42 and 52, MCC shall follow the [RFO Part 42 model deviation text](#) instead of FAR Part 42 as codified at 48 CFR Chapter 42 and replace the relevant [RFO Part 52 model deviation clause](#) instead of the FAR Part 52 clause as codified at 48 CFR Chapter 52. The FAR Council's RFO Parts 42 and 52 model deviation texts are available at [Acquisition.gov](#), under the "[FAR Overhaul](#)" link.

This deviation applies to all solicitations and new contracts as of November 14, 2025. This deviation does not apply to contracts signed and executed on or before November 13, 2025.

Approval

In accordance with RFO FAR 1.304 *Class deviations*, MCC Contracts Operating Manual (COM) 1.305-3 *Contracts and Grants Management Division MD/SPE*, and the OMB memo M-25-26, the RFO Part 42 model deviation text and the RFO Part 52 model deviation clause are hereby approved effective as of November 13, 2025 for use by all MCC Contracting Officers until final implementation of the FAR update or rescission of this Memo by the SPE. Additional instructions related to this Memo may be issued by the Senior Procurement Executive, Deputy Managing Director, and the Supervisory Procurement Analyst of the MCC CGM Division on an *ad hoc* basis.

Jonathan C. Hamlet
 Managing Director & Senior Procurement Executive
 Contracts and Grants Management Division
 Department of Administration and Finance
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Attachments

OMB Memo M-25-26 *Overhauling the Federal Acquisition Regulation*