



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
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APR 21 2008

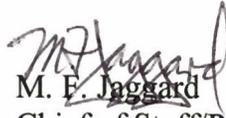
MEMORANDUM FOR DISTRIBUTION

Subj: APPROVING PAYMENTS UNDER COST-REIMBURSEMENT, TIME-AND-MATERIALS, AND LABOR-HOUR CONTRACTS

Encl: (1) Director, Defense Procurement, Acquisition Policy, and Strategic Sourcing memo of April 14, 2008

Enclosure (1) reiterates Department of Defense policy that contracting officer's representatives (CORs) do not approve payments for cost-reimbursement, time-and-materials and labor-hour contracts. Only the Defense Contract Audit Agency has authority to approve interim payment requests for these contracts and administrative contracting officers approve the final payment requests.

Please remind your contracting staff and others, particularly CORs, to comply with this policy. Questions regarding this memorandum should be addressed to my point of contact, Ms. Evelyn Ortiz, at telephone (703)614-9640 or by email at evelyn.ortiz@navy.mil.


M. F. Jaggard
Chief of Staff/Policy
for DASN (A&LM)

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APR 14 2008

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
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(ACQUISITION & LOGISTICS MANAGEMENT),
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DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTOR, DEFENSE AGENCIES
DIRECTOR, DOD FIELD ACTIVITIES

SUBJECT: Approving Payments under Cost-Reimbursement, Time-and-Materials, and
Labor-Hour Contracts

The purpose of this memorandum is to reiterate the Department's policy on approving payments under cost-reimbursement, time-and-materials (T&M), and labor-hour (LH) contracts. For these contract types:

DCAA has sole authority for verifying claimed costs and approving interim payment requests.

- The Administrative Contracting Officer (ACO) has the sole authority for approving final payment requests.

Contracting Officer's Representatives (CORs) shall not be delegated authority to approve these types of payments. In accordance with Defense Federal Acquisition Regulations Supplement (DFARS) 242.803, these functions are the responsibility of DCAA and ACOs. Although CORs may review contractor billings as part of their contract performance surveillance (e.g., hours billed and labor mix are commensurate with contract effort performed/ accomplished), the COR is expected to coordinate with DCAA when any cost verification of data is necessary in support of the COR's surveillance responsibilities.

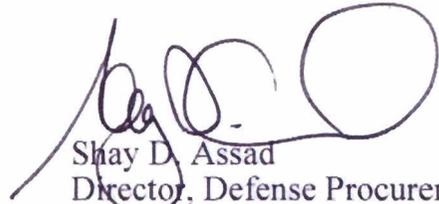
Also, I want to clarify that the same requirements apply to payments on commercial T&M and LH contracts. Like noncommercial T&M and LH contracts, commercial T&M and LH contracts provide for disallowing costs during the course of performance after the costs have been incurred. Therefore, DCAA approves interim



ENCLOSURE(1)

payment requests, ACOs approve final payment request, and CORs coordinate with DCAA if any cost verification is needed in support of their surveillance.

Please ensure your acquisition workforce, including the CORs, are aware of this policy. The point of contact for this memorandum is Ms. Robin Schulze, Senior Procurement Analyst, who can be reached at 703-602-0326 or via e-mail at robin.schulze@osd.mil.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large circular flourish at the end.

Shay D. Assad
Director, Defense Procurement,
Acquisition Policy and
Strategic Sourcing