

32.503-7

48 CFR Ch. 1 (10-1-02 Edition)

(i) Revise the current contract price used in progress payment computations (the current ceiling price under fixed-price incentive contracts) to include any pending change orders and unpriced orders to the extent funds for the orders have been obligated.

(ii) Divide the revised contract price by the sum of the total costs incurred to date plus the estimated additional costs of completing the contract performance.

(2) If the contracting officer believes a loss is probable, future progress payment requests shall be modified as follows:

(i) The contract price shall be the revised amount computed under subparagraph (1)(i) above.

(ii) The total costs eligible for progress payments shall be the product of (A) the sum of paid costs eligible for progress payments times (B) the loss ratio factor computed under subparagraph (1)(ii) above.

(iii) The costs applicable to items delivered, invoiced, and accepted shall not include costs in excess of the contract price of the items.

(3) The contracting officer may use audit assistance, technical services, management reports, and other sources of pertinent data to evaluate progress payment requests. If the contracting officer concludes that the contractor's figures in the contractor's progress payment request are not correct, the contracting officer shall—

(i) In the manner prescribed in paragraph (4) below, prepare a supplementary analysis to be attached to the contractor's request;

(ii) Advise the contractor in writing of the differences; and

(iii) Adjust all further progress payments in accordance with paragraph (1) above, using the contracting officer's figures, until the difference is resolved.

(4) The following is an example of the supplementary analysis required in paragraph (g)(3) of this subsection:

Section I	
Contract price.	\$2,850,000
Change orders and unpriced orders (to extent funds have been obligated)	150,000
Revised contract price	3,000,000

Section II	
Total costs incurred to date	2,700,000
Estimated additional costs to complete	900,000
Total costs to complete ...	3,600,000

$$\text{Loss ratio factor } \frac{\$3,000,000}{\$3,600,000} = 83.3\%$$

Total costs eligible for progress payments	2,700,000
Loss ratio factor	×83.3%
Recognized costs for progress payments	2,249,100
Progress payment rate	×80.0%
Alternate amount to be used	1,799,280

Section III	
Factored costs of items delivered*	750,000
Recognized costs applicable to undelivered items (\$2,249,100-750,000)	1,499,100

*This amount must be the same as the contract price of the items delivered.

[48 FR 42328, Sept. 19, 1983, as amended at 52 FR 30077, Aug. 12, 1987; 54 FR 5056, Jan. 31, 1989; 54 FR 48989, Nov. 28, 1989; 64 FR 72451, Dec. 27, 1999; 65 FR 16280, Mar. 27, 2000]

32.503-7 [Reserved]

32.503-8 Liquidation rates—ordinary method.

The Government recoups progress payments through the deduction of liquidations from payments that would otherwise be due to the contractor for completed contract items. To determine the amount of the liquidation, the contracting officer applies a liquidation rate to the contract price of contract items delivered and accepted. The ordinary method is that the liquidation rate is the same as the progress payment rate. At the beginning of a contract, the contracting officer must use this method.

[65 FR 16280, Mar. 27, 2000]

32.503-9 Liquidation rates—alternate method.

(a) The liquidation rate determined under 32.503-8 shall apply throughout the period of contract performance unless the contracting officer adjusts the