

09/11/12

POLICY ALERT

No. 12-56

Payments Under Time-and-Materials and Labor-Hour Contracts

REFERENCES: Federal Register dated July 26, 2012 (Volume 77, Number 144), Federal Acquisition Circular 2005-60 dated July 26, 2012 and August 27, 2012, Item II - Payments Under Time-and-Materials and Labor-Hour Contracts ([FAR Case 2011-003](#))

TYPE OF ACTION: Final Rule

EFFECTIVE DATE: August 27, 2012

SUMMARY: This final rule amends the Federal Acquisition Regulation (FAR) with regard to payments under time-and-materials and labor-hour contracts. The rule harmonizes payment clauses under commercial time-and-materials and labor-hour contracts and non-commercial time-and-materials and labor-hour contracts, largely by having commercial time-and-materials and labor-hour contracts adopt the payment clauses of non-commercial time-and-materials and labor-hour contracts.

In addition, the rule harmonizes conflicting clauses of the "Allowable Cost and Payment" and "Payments Under Time-and-Materials" and "Labor-Hour Contracts" clauses, which are both prescribed under non-commercial time-and-materials and labor-hour contracts, by using the same periods for invoicing, and submission of the completion voucher as those set forth in the "Allowable Cost and Payment" clause.

ACTION REQUIRED: Contracting Officers shall:

- As prescribed by FAR 16.307 Insert the clause at FAR 52.216-7, Allowable Cost and Payment (June 2011), in solicitations and contracts when a cost-reimbursement contract or a time-and-materials contract (other than a contract for a commercial item) is contemplated. If the contract is a time-and-materials contract, also insert the clause at

FAR 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts, but only to the portion of the contract that provides for reimbursement of materials at actual cost. The clause at FAR 52.216-7 does not apply to labor-hour contracts. Insert Alternates II (AUG 2012), III (AUG 2012, and IV (AUG 2012) as prescribed at FAR Subpart 16.307.

- Insert the clause 52.232-7, Payments under Time-and-Material and Labor-Hour Contracts (AUG 2012) as prescribe in FAR Subpart 32.111

This Policy Alert is effective on the date indicated above, and remains in effect until incorporated into the acquisition policy, as appropriate, or until otherwise rescinded.

You may direct comments/questions on this Policy Alert to the Contract Policy and Pricing Branch at 303-676-3985.