

# Part 542 - Contract Administration and Audit Services

542.001 Definitions.

Subpart 542.1 - Contract Audit Services

542.102 Assignment of contract audit services.

Subpart 542.2 - Contract Administration Services

542.202 Assignment of contract administration.

Subpart 542.3 - Contract Administration Office Functions

542.302 Contract administration functions.

Subpart 542.11 - Production Surveillance and Reporting

542.1107 Contract clause.

Subpart 542.12 - Novation and Change-of-Name Agreements

542.1203 Processing agreements.

Subpart 542.15 - Contractor Performance Information

542.1502 Policy.

542.1503 Procedures.

Subpart 542.70 - Audit of Contractor's Records

542.7001 General.

542.7002 Purpose of audit.

542.7003 Additional internal controls.

542.7004 Releasing or withholding of audit reports.

**Parent topic:** General Services Administration Acquisition Manual

## **542.001 Definitions.**

### **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 ADM 2030.2, Internal Audit Follow-up Handbook, 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) - (d) 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 contracting 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 Contract administration functions](#). 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).

(h) Credentials and Access Management. See section [504.1370 GSA Credentials and Access Management Procedures](#). for credentials and access management contract administration requirements on contracts or orders including FAR clause at 52.204-9, Personal Identity Verification of Contractor Personnel and GSAR clause at [552.204-9](#), Personal Identity Verification Requirements.

## **Subpart 542.11 - Production Surveillance and Reporting**

### **542.1107 Contract clause.**

Insert the clause at 552.242-70, Status Report of Orders and Shipments, in solicitations and contracts when a requirements or indefinite quantity and requirements contract for Stock or Special Order Program items is contemplated. 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**

### **542.1502 Policy.**

*FAR Deviation.* Past performance evaluations for regulated utility contracts and orders procured on a non-competitive basis in accordance with FAR Part 41 shall not be entered into CPARS. Performance issues shall be reported directly to the applicable independent regulatory bodies as described in FAR 41.103(a)(1).

### **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 Inspector General for Auditing.

#### **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.