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COMMANDER, REGIONAL MAINTENANCE CENTERS
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REGIONAL MAINTENANCE CENTER INSTRUCTION 7570.2

Subj: PROCESS FOR ADDING WORK TO SHIP REPAIR CONTRACTS

Ref: (a) CRMC Memorandum dated 17 MAR 08

1. Purpose. To define policy and procedures for adding growth work to ship repair contracts compliant with fiscal law and policy and identification of growth funding by Regional Maintenance Center (RMC) maintenance teams (MT).

2. Discussion. Ref (a) requires strict compliance with fiscal law and policy with regard to obligating funds for known, clearly identified growth work. DoD FMR, volume 3 chapter 8 prohibits obligation of award fee and growth reservations in anticipation of future needs. Therefore, in order to timely process growth modifications, RMCs will utilize commitment accounting procedures identified below. Availability that cross fiscal years have additional requirements when identifying and managing committed and committed/expiring funds. MTs must notify sponsors and control funding associated with future needs to avoid work stoppage and Anti-Deficiency Act violations.

3. Scope. The provisions of this instruction apply to firm-fixed price and cost reimbursement type job orders/contracts. The following guidelines are provided for the use of commitment accounting procedures for adding growth work, including any associated fee as well as MT identification of growth funding.

   a. Notification to funding Sponsors: For cost-type job orders/contracts with expiring funds that cross fiscal years, the RMC MT will identify each fiscal year requirement, by sponsor, in the Funding Summary blocks of the Readiness To Start message (NAVSEA Instruction 4710.8) for CNO availabilities. The MT will routinely refine funding requirements for the sponsors as the availability progresses.

      (1) When a Cost-type job order/contract crosses fiscal years, the Project Manager’s (PM) shall notify each funding sponsor via email (CC: the ACO/Finance Tech) of anticipated new fiscal year growth/ fee funding requirements no later than 01 August. An update shall be provided no later than 01 September, followed by one no later than 15 September.

      (2) The notification shall consist of the PM best estimate of the amount of growth/fee funding that will be remaining from the current fiscal year at 30 September as well as the amount of new growth funding required in the next fiscal year. The PM shall also specify the date by which funding is required as well as a date that current fiscal funding will be available for recapture and reuse by the sponsor.

Enclosure (2)
(3) Funding requirements may be identified incrementally, i.e., a PM may identify a recapture of $100K by 01 September and another $50K by 15 September. The PM would then note that this $150K would be required to be replaced with new money by the first working day of the new fiscal year to ensure there is no work stoppage.

b. COMMITMENT ACCOUNTING PROCESS AND ISSUANCE OF growth.

(1) When a Condition Found Report (CFR) for additional work has been approved or growth work has been otherwise identified by the PM, the Contractor or Ship Building Specialist (SBS) will prepare a Request For Contract Change (RCC), which will provide the statement of work.

(2) The PM will review the RCC to ensure that the RCC adequately documents growth work required to be performed. The PM will release the RCC for contractor pricing.

(3) The contractor will propose an estimate of the work to be performed (e.g., a Change Order Price Order Analysis (COPA)) while the Independent Government Estimate (IGE) is developed.

(4) The PM will compare the contractor’s estimate with historical costs and/or the IGE to ensure cost reasonableness and provide a recommendation to the Administrative Contracting Officer (ACO).

(5) The ACO will determine a fair and reasonable price with MT support, as required, in scoping & negotiations.

(6) The ACO will ensure that adequate funding is available in accordance with FAR 43.105. If funding is not adequate, the ACO in conjunction with the PM shall either request and obtain additional funding or decide not to add the estimated work to the contract.

(7) Once the ACO has determined that the proposed/negotiated cost is fair and reasonable and the proper funding is available to cover the growth task, the ACO may authorize the contractor to proceed with the work. If the ACO authorizes the contractor to proceed with the work in advance of a formally executed contract modification, then the ACO shall document his granting of authority to proceed with an e-mail to the contractor. These e-mails shall be retained.

(8) Relying on the authority of DOD Financial Management Regulation (FMR) 080301 (A), the authorization of work may precede the formal recording of the obligation and the execution of a formal contract modification. However, all steps to completely execute the required contract modification must be completed within ten days of the work being authorized to commence.

(9) Finance will perform a validation of funds available by line of accounting to commit and/or record the obligation of funds in the official accounting system. The ACO will identify any fee amount to be committed for each contract modification. When the RMC has access to official accounting records, the Finance Department will enter the commitment/obligation. When the RMC does not have access to the official records, the Sponsor will ensure that funds are available for use at the time of the Fee Board.
(10) The ACO will draft the contract modification to add the growth work to the contract. For the purpose of efficiency, RCC’s may be batched together for purposes of executing a contract modification. The ACO and the contractor must both sign the contract modification to fully execute it.

c. PROCESS FOR Fee Commitments ON GROWTH MODIFICATIONS.

In accordance with reference (a), obligation of funds for fee associated with growth work is prohibited prior to the Fee Determining Official (FDO) authorizing the final fee amount. Accordingly, award/incentive fee for growth shall be reserved/committed but not obligated when the growth work is authorized.

d. PROCESS FOR CROSS FISCAL YEAR GROWTH FUNDING.

(1) For cost type contracts/delivery orders that cross fiscal years, growth tasks that are not identified and proposed to be added to the availability until the new/second fiscal year must be funded with funds from the new year. Prior year funds cannot be utilized for these tasks, which the Government chooses to add to the contract after the start of the new fiscal year.

(2) For firm fixed price contracts/delivery order that cross fiscal years, growth tasks that are not identified and proposed to be added to the contract until the new/second fiscal year may be funded with either prior year or current year money depending on whether the work is within the scope of the original contract.

[Signature]

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