3.10 Contract Administration
- 3.10.1 Contract Administration
  - 3.10.1.1 Applicability
  - 3.10.1.2 Policy
- 3.10.2 Subcontracting Policies
  - 3.10.2.1 Applicability
  - 3.10.2.2 Policy
- 3.10.3 Government Property Revised 1/2015
  - 3.10.3.1 Applicability
  - 3.10.3.2 Policy
- 3.10.4 Quality Assurance
  - 3.10.4.1 Applicability
  - 3.10.4.2 Policy Revised 10/2011
- 3.10.5 Product Improvement/Technology Enhancement
  - 3.10.5.1 Applicability
  - 3.10.5.2 Policy
- 3.10.6 Termination of Contracts
  - 3.10.6.1 Applicability
  - 3.10.6.2 Policy
- 3.10.7 Extraordinary Contractual Actions
  - 3.10.7.1 Applicability
  - 3.10.7.2 Policy
- 3.10.8 First Article Approval and Testing
- 3.10.9 Closeout of Completed Contracts

3.10 Contract Administration

3.10.1 Contract Administration

3.10.1.1 Applicability

The types of activities included in the contract administration phase are:

- Issuing contract modifications;
- Monitoring contract deliverables;
- Assuring that subcontracting policies and requirements are followed; and
- Reviewing the contractor's invoices for payment.
- Closing completed contracts.

3.10.1.2 Policy

The terms and conditions of the contract will be the guidance in performing these tasks.

3.10.2 Subcontracting Policies

3.10.2.1 Applicability

This applies to contracts with the exception of real property and utilities, where a prime contractor may need to subcontract a portion of the work.

3.10.2.2 Policy

The CO must consider requiring "Consent to Subcontracts" when the subcontract work is complex, the dollar value is substantial, or the Government's interest is not adequately protected by competition and the type of prime contract or subcontract.

The CO must consider conducting a Contractor Purchasing System Review for each contractor whose sales to the Government, using other than simplified purchases procedures, are expected to exceed $10 million during the next 12 months.

To the maximum extent practicable, the contractor must incorporate, and require its subcontractors at all tiers to incorporate commercial items or non-developmental items as components of items to be supplied under contract.

3.10.3 Government Property **Revised 1/2015**

3.10.3.1 Applicability

Government property administration guidance and procedures applies to all contracts awarded by

the FAA with requirements for providing Government property to contractors, contractors' use and management of Government property, reporting, redistributing, and disposing of contractor inventory. It does not apply to providing property under any statutory leasing authority.

3.10.3.2 Policy

Contractors are ordinarily required to furnish all property necessary to perform Government contracts. However, when contractors possess Government property, the FAA must:

- Delegate property administration authority to the property administrator;
- Eliminate, to the maximum practical extent, any competitive advantage that might arise from using such property;
- Require contractors to use Government property, to the maximum practical extent, in performing Government contracts;
- Permit the property to be used only when authorized;
- Charge appropriate rentals when the property is authorized for use on other than a rent-free basis;
- Require the contractor to establish and maintain a property control system in accordance with contract terms and conditions;
- Require contractors to review and provide justification for retaining Government property not currently in use;
- Ensure maximum practical reutilization of contractor inventory with the Government;
- Require contractors to be responsible and accountable for Government property in their possession and control; and
- Require the contractor to keep official Government property records.

Contractor records are the Government's official Government property records unless the Contracting Officer has authorized an exception.

3.10.4 Quality Assurance

3.10.4.1 Applicability

Quality Assurance policy and guidelines are applicable to all acquisitions for systems, equipment, material, and services.

3.10.4.2 Policy **Revised 10/2011**

For all acquisitions, FAA will:

- Ensure appropriate quality assurance requirements are included;
- Require contractors to act on contractual quality assurance commitments;
- Ensure Government quality and reliability needs are met; and
- Accept only products that meet agreed to requirements.

Additionally, for NAS system acquisitions:

- Require the contractor to report the status of requirements linked to critical performance requirements at specified regular intervals;
- Coordinate with the Quality Assurance Office to ensure appropriate quality assurance requirements are incorporated; and
- Delegate in-plant quality assurance and acceptance authority to the Quality Reliability Officer or other Government agent.

3.10.5 Product Improvement/Technology Enhancement

3.10.5.1 Applicability

Product Improvement/Technology Enhancement guidance and procedures apply to all FAA procurements, agreements, real property, utilities, and commercial and simplified purchase method.

3.10.5.2 Policy

The FAA encourages contractors to submit Product Improvement/Technology Enhancement proposals for review at any time during the performance of a contract. The ability to continuously exchange, upgrade, modify, or add new features to equipment and software in response to increased air traffic activity and/or new advancements in technology and methodology is essential. Contractor proposals which are particularly innovative and address savings for the FAA may be given appropriate consideration in the negotiation.

3.10.6 Termination of Contracts

3.10.6.1 Applicability

This section applies to all FAA contracts, with the exception of real property and utilities.

3.10.6.2 Policy

The termination clauses or other contract clauses authorize contracting officers to terminate contracts for convenience, or for default, and to enter into settlement agreements.

The CO must terminate contracts, whether for default or convenience, when it is in the FAA's interest. The CO may effect a no-cost settlement instead of issuing a termination when (1) it is known that the contractor will accept one, (2) Government property was not furnished, and (3) there are no outstanding payments, debts due the Government, or other contractor obligations.

When the price of the undelivered balance is less than the cost of effecting a termination, the contract should not normally be terminated for convenience but should be permitted to run to

completion.

3.10.7 Extraordinary Contractual Actions

3.10.7.1 Applicability

This section is applicable when the FAA intends to enter into, amend, or modify contracts in order to facilitate the national defense under the extraordinary emergency authority granted by Public Law 85-804 (referred to in this section as the "Act") as amended, and Executive Order 10789 (referred to in this section as the "Executive Order").

3.10.7.2 Policy

The FAA may authorize extraordinary contract relief pursuant to Public Law 85-804. Authority to provide such relief is retained by the DOT Secretary for indemnification requests, and by the FAA Administrator or designee for all other requests.

3.10.8 First Article Approval and Testing

First article testing and approval involves evaluating a contractor's initial, preproduction, or sample model or lot. FAA may utilize first article testing and approval to ensure that a contractor can furnish a product that conforms to all contract requirements for acceptance.

3.10.9 Closeout of Completed Contracts

The CO must close physically complete contracts and agreements in accordance with FAST Procurement Guidance. Closeout activities must include completion and signing of the Contract Closeout Checklist and a Contract Completion Statement.