

PPD ALERT



Elimination of Paid Cost Rule

What is the 'Paid Cost Rule'?

The 'Paid Cost Rule' requires that large businesses pay suppliers before those costs could be included in billings to the Federal Government. The 'Paid Cost Rule' is applicable to all contracts under which the Government will provide progress payments based on costs. As of May 26, 2000 the rule was eliminated. The elimination of this rule is explained in the Federal Acquisition Circular (FAC) 97-16. Additional information on elimination of this rule was also published in the Federal Register on March 27, 2000. Copies of the FAC and the Federal Register can be obtained via Internet at:

<http://www.arnet.gov/far/farqueryframe.html>

What does this mean to me?

In accordance with FAC 97-16, Contracting Officers are required to amend solicitations issued and modify contracts awarded on or after May 26, 2000 to eliminate the 'Paid Cost Rule'.

What do I do now?

You should review solicitations and/or contracts affected by this regulation and take appropriate action. Solicitations issued and contracts awarded on or after May 26, 2000 shall be amended or modified to eliminate the 'Paid Cost Rule'. This action is required if FAR 52.216-7, Allowable Cost and Payment, FAR 52.232-7, Payments Under Time and Materials and Labor Hour Contracts, and FAR 52.232-16, Progress Payments, were included in any contracts awarded or solicitations issued on or after May 26, 2000.

A policy memorandum will be issued to provide additional guidance.

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