

3.10.4-2 Inspection of Supplies - Fixed-Price - Alternate I (February 2003)

If the contract type is fixed price incentive, the following (g) and (h) should be substituted for (g) and (h) of the basic clause:

(g) The Contractor shall remove supplies rejected or required to be corrected. However, the Contracting Officer may require or permit correction in place, promptly after notice, by and at the expense of the Contractor. The Contractor shall not tender for acceptance corrected or rejected supplies without disclosing the former rejection or requirement for correction, and, when required, shall disclose the corrective action taken.

Cost of removal, replacement, or correction shall be considered a cost incurred, or to be incurred, in the total final negotiated cost fixed under the incentive price revision clause. However, replacements or corrections by the Contractor after the establishment of the total final price shall be at no increase in the total final price.

(h) If the Contractor fails to promptly remove, replace, or correct rejected supplies that are required to be removed or to be replaced or corrected, the Government may either:

(1) by contract or otherwise, remove, replace, or correct the supplies and equitably reduce the target price or, if established, the total final price or

(2) may terminate the contract for default.

Unless the Contractor corrects or replaces the nonconforming supplies within the delivery schedule, the Contracting Officer may require their delivery and equitably reduce any target price or, if it is established, the total final contract price. Failure to agree upon an equitable price reduction shall be a dispute.

PRESCRIPTION

Should be used in RFI/RFPs and fixed- price incentive contracts for supplies.