

- b. By removing paragraph (e)(3); and
- c. By redesignating paragraph (e)(4) as paragraph (e)(3).

227.7103–14 [Amended]

- 3. Section 227.7103–14 is amended as follows:
 - a. By removing paragraph (a)(1); and
 - b. By redesignating paragraphs (a)(2) and (a)(3) as paragraphs (a)(1) and (a)(2), respectively.

227.7104 [Amended]

- 4. Section 227.7104 is amended as follows:
 - a. In paragraph (e)(4) by adding “and” after the semicolon;
 - b. By removing paragraph (e)(5); and
 - c. By redesignating paragraph (e)(6) as paragraph (e)(5).

PART 252—SOLICITATION PROVISIONS AND CONTRACT CLAUSES**252.227–7036 [Removed and Reserved]**

- 5. Section 252.227–7036 is removed and reserved.

252.227–7037 [Amended]

- 6. Section 252.227–7037 is amended in the introductory text as follows:
 - a. By removing “227.7103(e)(4)” and adding in its place “227.7103–6(e)(3)”; and
 - b. By removing “227.7104(e)(6)” and adding in its place “227.7104(e)(5)”.

[FR Doc. 04–12936 Filed 6–7–04; 8:45 am]

BILLING CODE 5001–08–P

DEPARTMENT OF DEFENSE**48 CFR Part 242**

[DFARS Case 2002–D015]

Defense Federal Acquisition Regulation Supplement; Production Surveillance and Reporting

AGENCY: Department of Defense (DoD).
ACTION: Final rule.

SUMMARY: DoD has issued a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to eliminate requirements for contract administration offices to perform production surveillance on contractors that have only Criticality Designator C (low-urgency) contracts. This change will permit contract administration offices to devote more resources to critical and high-risk contracts.

EFFECTIVE DATE: June 8, 2004.

FOR FURTHER INFORMATION CONTACT: Mr. Steven Cohen, Defense Acquisition Regulations Council, OUSD(AT&L)DPAP(DAR), IMD 3C132, 3062 Defense Pentagon, Washington, DC 20301–3062. Telephone (703) 602–0293; facsimile (703) 602–0350. Please cite DFARS Case 2002–D015.

SUPPLEMENTARY INFORMATION:**A. Background**

This final rule revises DFARS 242.1104 to eliminate requirements for contract administration offices to perform production surveillance on contractors that have only Criticality Designator C (low-urgency) contracts, and for monitoring of progress on any Criticality Designator C contract, unless production surveillance or contract monitoring is specifically requested by the contracting officer. This change will enable contract administration offices to use production surveillance resources in a more effective manner.

DoD published a proposed rule at 68 FR 50495 on August 21, 2003. One respondent submitted comments on the proposed rule. The respondent disagreed with the proposed change, because a Criticality Designator C contract could become more critical at a later date. DoD agrees that this situation could occur. However, DoD does not believe the general policy should be driven by exceptional situations. The rule provides flexibility for contracting officers to request production surveillance and contract monitoring when deemed necessary. Therefore, DoD has adopted the proposed rule as a final rule without change.

This rule was not subject to Office of Management and Budget review under Executive Order 12866, dated September 30, 1993.

B. Regulatory Flexibility Act

DoD certifies that this final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because the DFARS changes in this rule primarily affect the allocation of Government resources to production surveillance functions.

C. Paperwork Reduction Act

The Paperwork Reduction Act does not apply, because the rule does not impose any information collection requirements that require the approval

of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

List of Subjects in 48 CFR Part 242

Government procurement.

Michele P. Peterson,

Executive Editor, Defense Acquisition Regulations Council.

- Therefore, 48 CFR Part 242 is amended as follows:

- 1. The authority citation for 48 CFR Part 242 continues to read as follows:

Authority: 41 U.S.C. 421 and 48 CFR Chapter 1.

PART 242—CONTRACT ADMINISTRATION AND AUDIT SERVICES

- 2. Section 242.1104 is revised to read as follows:

242.1104 Surveillance requirements.

(a) The cognizant contract administration office (CAO)—

(i) Shall perform production surveillance on all contractors that have Criticality Designator A or B contracts;

(ii) Shall not perform production surveillance on contractors that have only Criticality Designator C contracts, unless specifically requested by the contracting officer; and

(iii) When production surveillance is required, shall—

(A) Conduct a periodic risk assessment of the contractor to determine the degree of production surveillance needed for all contracts awarded to that contractor. The risk assessment shall consider information provided by the contractor and the contracting officer;

(B) Develop a production surveillance plan based on the risk level determined during a risk assessment;

(C) Modify the production surveillance plan to incorporate any special surveillance requirements for individual contracts, including any requirements identified by the contracting officer; and

(D) Monitor contract progress and identify potential contract delinquencies in accordance with the production surveillance plan. Contracts with Criticality Designator C are exempt from this requirement unless specifically requested by the contracting officer.

[FR Doc. 04–12932 Filed 6–7–04; 8:45 am]

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