

reimbursement, fixed-price incentive, and fixed-price redeterminable contracts as prescribed in FAR Subpart 42.7.

(b) When the quick closeout procedures are used, the contracting officers must perform a review and validation of the contractor's data for accuracy and reasonableness of the proposed rates for negotiating the settlement of indirect costs for a specific contract.

Subpart 842.8—Disallowance of Costs

842.801 Notice of intent to disallow costs.

842.801-70 Audit assistance prior to disallowing costs.

If a contracting officer determines that costs should be disallowed during the performance of a cost reimbursement, fixed-price incentive, or fixed-price redetermination contract exceeding the thresholds specified in FAR 15.403-4, the contracting officer must request audit assistance. The VA OIG shall conduct audits of contracts for health care resources and contracting officers shall request such audits directly from that office. For all other types of contracts, the contracting officer must obtain an audit control number from Acquisition Resources Service and send a formal request to conduct the audit directly to the nearest Defense Contract Audit Agency (DCAA) office, referencing the audit control number and the project number (if any).

842.803 Disallowing costs after incurrence.

Contracting officers may approve or disapprove contractors' vouchers for payment and process them to the servicing fiscal office. Such approval or disapproval must be within the limitations of the contracting officer's warrant and the contract for which the voucher is submitted must be within the contracting officer's delegation of contracting authority.

Subpart 842.12—Novation and Change-of-Name Agreements

842.1203 Processing agreements.

Before execution of novation and change-of-name agreements, contracting officers must submit all supporting agreements and documentation to the OGC for review as to legal sufficiency.

PART 844—SUBCONTRACTING POLICIES AND PROCEDURES [RESERVED]

PART 846—QUALITY ASSURANCE

Subpart 846.3—Contract Clauses

Sec.

- 846.302 Fixed-price supply contracts.
- 846.302-70 Guarantee clause.
- 846.302-71 Inspection.
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- 846.408 Single-agency assignments of Government contract quality assurance.
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- 846.472 Inspection of repairs for properties under the Loan Guaranty and Direct Loan Programs.
- 846.472-1 Repairs of \$1,000 or less.
- 846.472-2 Repairs in excess of \$1,000.

Subpart 846.7—Warranties

- 846.710 Contract clauses.
- 846.710-70 Special warranties.
- 846.710-71 Warranty for construction—guarantee period services.

AUTHORITY: 38 U.S.C. 501; 40 U.S.C. 121(c); and 48 CFR 1.301-1.304.

SOURCE: 73 FR 2717, Jan. 15, 2008, unless otherwise noted.

Subpart 846.3—Contract Clauses**846.302 Fixed-price supply contracts.****846.302–70 Guarantee clause.**

(a) The contracting officer shall insert the clause at 852.246–70, Guarantee, in solicitations for the acquisition of equipment.

(b) If it is industry policy to furnish, but not install, replacement material and parts at the contractor's expense, the last sentence of the clause at 852.248–70 will be changed to indicate that cost of installation shall be borne by the Government. Where it is industry policy to guarantee components for the life of the equipment (e.g., crystals in transmitters and receivers in radio communications systems) or to require that highly technical equipment be returned to the factory (at the contractor's or the Government's expense) for replacement of defective materials or parts, then the clause will be revised to be compatible with such policy.

846.302–71 Inspection.

The contracting officer shall include a "Rejected Goods" contract clause in solicitations and contracts as follows:

(a) Except as provided in paragraph (b) of this section, insert the clause at 852.246–71, Inspection, in solicitations and contracts for the acquisition of supplies or equipment.

(b) In solicitations and contracts for packing house and dairy products, bread and bakery products, and for fresh and frozen fruits and vegetables, insert the Alternate I clause at 852.246–71, Inspection.

846.302–72 Frozen processed foods.

The contracting officer shall insert the clause at 852.246–72, Frozen processed foods, in solicitations and contracts for frozen processed foods.

846.302–73 Noncompliance with packaging, packing and/or marking requirements.

The contracting officer shall insert the clause at 852.246–73, Noncompliance with packaging, packing, and/or marking requirements, in non-commercial item solicitations and contracts for supplies or equipment where there are special packaging, packing and/or

marking requirements. The clause may be used in commercial item acquisitions if a waiver is approved in accordance with FAR 12.302(c) and 812.302.

846.312 Construction contracts.

The contracting officer shall insert the clause at 852.236–74, 852.236–74, Inspection of construction, in solicitations and contracts for construction that include the FAR clause at 52.246–12, Inspection of Construction.

Subpart 846.4—Government Contract Quality Assurance**846.408 Single-agency assignments of Government contract quality assurance.****846.408–70 Inspection of subsistence.**

(a) Before issuing a solicitation for subsistence, the contracting officer must determine whether:

(1) Representatives of the U.S. Department of Agriculture (USDA) or the Department of Commerce will inspect for specification compliance before shipment; or

(2) Personnel of the purchasing activity will inspect for specification compliance at the time of delivery.

(b) The contracting officer must indicate the time and place of inspection in the solicitation.

(c) Because the requirement for USDA or Department of Commerce inspections and certifications result in additional contractor costs that may be ultimately reflected in bid prices, the contracting officer, in consultation with the Chief, Nutrition and Food Service, must evaluate the need for such inspections. The evaluation must include the following:

(1) The quality assurance already provided by other mandatory inspection systems.

(2) The proposed suppliers' own quality control system.

(3) Experience with the proposed suppliers.

(4) The pre-qualifying of the suppliers' quality assurance systems and subsequently waiving inspections and certifications for future solicitations.

(5) The cost of the inspections.

(d) When the contracting officer indicates that either the USDA or the Department of Commerce will conduct the inspection, the contracting officer must also provide in the solicitation that the contractor is responsible for all of the following:

- (1) Arranging and paying for inspection services.
 - (2) Obtaining from the inspectors a certificate indicating that the product complies with specifications.
 - (3) Assuring that the certificate, or copy, accompanies the shipment or is furnished to the receiving installation before shipment, or notifying the installation when the certificate is not immediately available.
 - (4) Seeing that acceptable products are covered by an inspection agency checkloading certificate or stamped by the inspector as prescribed by the contracting officer.
 - (5) Furnishing samples for inspection at the contractor's expense.
 - (6) Indicating the address where inspection will occur.
- (e) The contracting officer must furnish a copy of the purchase document to the inspecting activity.

846.408-71 Waiver of USDA inspection and specifications.

(a) When the amount of an item to be purchased will not exceed 500 pounds per delivery, the contracting officer may purchase the following without reference to the specifications in Part IV of the Federal Supply Catalog, Stock List, FSC Group 89, Subsistence, Publication No. C8900-SL, and the USDA inspection requirements:

- (1) Butter.
- (2) Cheese (except cottage cheese).
- (3) Sausage.
- (4) Meat food products*.
- (5) Bacon, smoked.
- (6) Bacon, Canadian style.

(b) When the items listed in paragraph (a) of this section are procured together with items that are not ex-

empt, the contracting officer must include the following in the solicitation:

Items * * * are not required to be in accordance with the specifications contained in Part IV of the Federal Supply Catalog, Stock List, FSC Group 89, Subsistence, Publication No. C8900-SL, and the special USDA inspection is not required. VA will inspect for quality and condition upon delivery at destination. These items are, however, subject to the quality controls stated herein.

(c) As appropriate, the contracting officer must include the following statements in each invitation for bid, request for proposal, quotation, or purchase order:

- (1) Butter. This product must be graded by the USDA and labeled "Grade A" or the grade specified herein.
- (2) Sausage and meat food products.*
 - (i) This product must be a high commercial product and must have been prepared in a federally inspected plant and bear the USDA establishment number stamp evidencing that it is sound, healthful, wholesome, and fit for human consumption; and
 - (ii) This product must bear a label complying with the Federal Food, Drug and Cosmetic Act that requires the listing of all ingredients in the order of their predominance.

(3) Bacon, smoked; and bacon, Canadian style. This product must be a high commercial product and must have been prepared in a federally inspected plant and bear the USDA establishment number stamp evidencing that it is sound, healthful, wholesome, and fit for human consumption.

(d) When using a "brand name or equal" purchase description, the contracting officer must list every brand name item that is known to be acceptable and available in the area.

846.470 Use of commercial organizations for inspections and grading services.

The contracting officer may use a commercial organization for inspection and grading services when the contracting officer determines that all of the following conditions exist:

- (a) The results of a technical inspection or grading are dependent upon the application of scientific principles or specialized techniques.

*"Meat food products" means processed foods containing meat in substantial proportion and other listed ingredients including seasoning, e.g., frankfurters, coldcuts. Whole or prefabricated meats, e.g., pork chops, hamburger, are considered meats, not meat food products.

846.471

(b) VA is unable to employ the personnel qualified to properly perform the services and is unable to locate another Federal agency capable of providing the service.

(c) The inspection or grading results issued by a private organization are essential to verify the acceptance or rejection of a special commodity.

(d) The services may be performed without direct Government supervision.

846.471 Determination authority.

The following officials must make the determinations required in 846.470:

(a) The Director, Office of Construction and Facilities Management, for those items and services for which purchase authority has been assigned to the Office of Construction and Facilities Management.

(b) The Director, Veterans Canteen Service, for those items and services purchased, or contracted for, by the Veterans Canteen Service (except those items purchased from VA supply sources).

(c) The DSPE for all other supplies, equipment, and services.

846.472 Inspection of repairs for properties under the Loan Guaranty and Direct Loan Programs.

As provided in 846.472-1 and 846.472-2, management brokers or qualified fee or staff inspectors must conduct a final inspection of all repair programs upon completion. In addition, the broker or inspector must conduct intermediate or progress inspections on extensive or technical jobs as specified in the contract.

846.472-1 Repairs of \$1,000 or less.

(a) Generally, the management broker must make any required inspections for repairs of \$1,000 or less. A qualified fee or staff inspector must make any required inspection for repairs of \$1,000 or less if the contracting officer:

(1) Has not assigned the property to a management broker; or,

(2) Has determined that the nature of the repairs requires supervision by a technician.

(b) There is no form prescribed for inspection of repairs of \$1,000 or less, but

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the inspector may use VA Form 26-1839, Compliance Inspection Report. Regardless of the form in which the report is submitted, the inspector must identify the contractor, property, and the repair program and provide sufficient detail to enable the contracting officer to make a determination that the work is being performed satisfactorily or completed in accordance with the terms of the contract.

846.472-2 Repairs in excess of \$1,000.

(a) A qualified fee or staff inspector must make the final inspection and any intermediate or progress inspections on repairs exceeding \$1,000.

(b) The inspector must make the report of inspection on VA Form 26-1839, Compliance Inspection Report. The inspector must identify the property, contractor, and repair program and provide sufficient detailed information to enable the contracting officer to make a determination that the work is being performed satisfactorily or that it has been completed in accordance with the terms of the contract. The inspector must itemize any deficiencies and explain the deficiencies in detail.

Subpart 846.7—Warranties

846.710 Contract clauses.

The contracting officer shall insert the clause at FAR 52.246-21, Warranty of Construction, in solicitations and contracts for construction that are expected to exceed the micro-purchase threshold.

846.710-70 Special warranties.

The contracting officer shall insert the clause at 852.246-74, Special warranties, in solicitations and contracts for construction that include the FAR clause at 52.246-21, Warranty of Construction.

846.710-71 Warranty for construction—guarantee period services.

The contracting officer shall insert the clause at 852.246-75, Warranty of construction—guarantee period services, in solicitations and contracts for construction that include the FAR clause at 52.246-21, Warranty of Construction, and that also include guarantee period services.