



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFSPC)
LOS ANGELES AIR FORCE BASE CALIFORNIA

09 AUG 2002

MEMORANDUM FOR RECIPIENTS OF SMC/PK INFORMATIONAL LETTERS

FROM: SMC/PK

SUBJECT: Interim Award Fee Payments

1. The purpose of this memorandum is to establish guidance for the use of interim award fee payments. Interim award fee payments reinforce the expectation of successful contractor performance and at the same time the risk of a payback penalty if success isn't achieved. Interim award fee payments are primarily used to incentivize performance while the effort is being performed, help improve contractor cash flow, foster a healthy relationship between the government and the contractor, and provides a streamline process that is less manpower intensive and more commercial like. Interim award fee payments allow the contractor the opportunity to bill periodically for a percentage of available award fee during each evaluation period.
2. Interim award fee payments may be authorized only after an assessment of contractor performance has been accomplished and a determination has been made by the FDO (or designee, AFRB Chairperson or PCO) that contractor performance warrants payment of the interim award fee amount. At the end of the evaluation period, the formal award fee evaluation process is conducted and the FDO determines the earned award fee amount for that period. Based on the FDO determination, the difference between the interim payment and the FDO's final determination is authorized for payment to the contractor. In instances where the sum of interim payments for a particular evaluation period is greater than the FDO's final determination at the end of an award fee period, the contractor shall be required to liquidate the debt as prescribed in FAR 32.6, *Contract Debts*.
3. Interim award fee payments are not automatic; accordingly, contracting officers should use interim payments judiciously assessing any unusual cash flow concerns, the length of the evaluation period and only in CPAF contracts. The contracting officer's determination authorizing the use of interim award fee payments for a contract shall be maintained in the contract file. The determination should address:
 - a. The feasibility of reducing the length of evaluation periods versus the use of interim award fee payments;
 - b. The benefits derived by providing the contractor improved cash flow; and
 - c. Other factors that make utilization of interim award fee payments in the government's best interest, however, interim award fee payments may be no more frequently than quarterly.

4. It is the general policy of SMC/PK that interim award fee payments normally will not be utilized on any CPAF contract when a base fee is present.
5. Consideration shall be negotiated prior to approval of incorporating interim award fee payments on existing contracts.
6. CPAF contracts authorizing use of interim award fee payments shall incorporate the attached Interim Award Fee Payment Language in the contract award fee plan.
7. Questions concerning this memorandum may be addressed to Ms. Pat Herrick, (310) 363-6986, DSN 833-6986 or Ms. Bobbie Aikels, (310) 363-6984, DSN 833-6984.



PATRICIA KIRK-McALPINE
Director of Contracting

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Interim Award Fee Language

Interim Award Fee Payment Language

I. INTERIM AWARD FEE PAYMENTS

(a) Pending a final determination by the Fee Determining Official (FDO) of the total amount of award fee earned for an evaluation period, a portion of the available award fee for that period may be paid to the contractor on a _____ (Insert the frequency of interim payments – no more frequently than quarterly) basis only after an interim assessment of the contractor’s performance has been accomplished and a determination has been made by the FDO (or designee – AFRB Chairperson or Contracting Officer) that contractor performance warrants payment of the interim award fee amount. The aggregate interim payment percentage shall not exceed _____% (Insert interim payment percentage - shall be no greater than 80%) of the fee allocated to the current period or the amount anticipated to be awarded based on prior history, whichever is less. The portion paid, if any, shall be commensurate with the work accomplished for that interim period. If during contract performance the FDO or designee determines that the Contractor will not achieve a level of performance commensurate with the interim rate, payment of interim award fee will not be made for that interim period and may be discontinued or reduced in such amounts as the FDO or designee deems appropriate. The FDO, through the Contracting Officer, shall notify the Contractor in writing if such a determination is made.

(b) At the end of the evaluation period, the formal award fee evaluation process is conducted and the FDO determines the earned award fee amount for that period. Based on the FDO determination, the difference between the interim payments and

the FDO's final determination is authorized for payment to the contractor. In instances where the sum of interim payments for a particular evaluation period is greater than the FDO's final determination at the end of an award fee period, the contractor shall repay the Government, with interest in accordance with FAR 52.232-17, "Interest". For purposes of FAR 52.232.17, the due date shall be the date of the overpayment.

(c) All decisions regarding the interim award fee payments and the determination and methodology for determining the interim award fee amount are unilateral decisions made solely at the discretion of the Government and not subject to the Disputes Clause.

(d) The Contracting Officer will issue a contract modification that identifies the amount of the interim award fee payment that the FDO or designee has determined to be awarded.