

DRAFT

**Memorandum of Agreement
Between
USAF C-17 System Program Office
And
The Boeing Company
And
DCM Long Beach Office**

***Treatment of Cost Accounting Changes related to the
C-17 Multi-Year Procurement Contract***

Purpose

The purpose of this Memorandum of Agreement (MOA) is to document the agreement between the Aircraft and Missiles (A&M) Southern California segment of McDonnell Douglas Corporation, a wholly-owned subsidiary of The Boeing Company, herein referred to as Boeing, the USAF C-17 System Program Office (SPO), and the Defense Contract Management (DCM), Long Beach. The agreement reached addresses the treatment of various cost accounting changes related to the implementation of civil/military integration (commercial) like practices under the C-17 Multi-Year Procurement (MYP) contract, F33657-96-C-2059.

Background

In August 2000 the parties reached an agreement on the C-17 MYP contract which encompassed both a retrospective and prospective settlement of various issues outstanding. In part, the prospective agreement converted the last three aircraft lot buys under the MYP contract (Lots 13-15) to a firm fixed price (FFP) Federal Acquisition Regulation (FAR) Part 12 contract (note, refer to the referenced MOA for the complete agreement). In the course of attempting to fulfill the settlement agreement, the USAF was unable to obtain the necessary approvals to convert the MYP contract to a FAR 12 contract. With Boeing's concurrence, the parties proceeded to develop a FAR 15 contract that would emulate a FAR 12 contract through the selective use of waivers/deviations (e.g. Truth in Negotiations Act, Cost Accounting Standards, government property, etc.). After several months of effort, the government conceded that a waiver of the CAS requirements for the C-17 MYP contract is not possible. This MOA documents the agreement between the parties concerning the treatment of various costs associated with planned voluntary cost accounting changes Boeing intends to make in order to support more commercial-like business practices.

Objective

The parties intent is to provide clear and unambiguous recognition that the agreements stipulated herein are considered partial consideration for not obtaining a CAS waiver on the C-17 MYP contract. Any other consideration shall have been presumed to have been incorporated into the contract modification effecting the C-17 MYP conversion previously referenced.

Specific Agreement

The parties agree upon and recognize the following:

1. Boeing will implement cost accounting changes that support a more commercial-like firm fixed price business management approach for the C-17 MYP contract.
2. These changes will involve various functional areas (for example, but not limited to the following: contracts, pricing, supplier management, accounting, etc.). Boeing's intent is to isolate those unique government costs and allocate said costs to related contracts resident at the Boeing A&M Southern California site that continue to retain government unique requirements.
3. A result of making the aforementioned voluntary accounting changes, costs shall be shifted from the C-17 MYP contract to other programs and contracts at the site.
4. Boeing agrees not to implement any of the accounting changes prior to 1 January 2002.
5. For each accounting change made, Boeing shall follow the normal CAS procedures and provide a description of the change along with a cost impact study disclosing the shift (reallocation) of cost among cost and fixed priced contracts.
6. The changes shall be provided to the DCAA for auditing and determining the validity of the costs being re-allocated. The DCAA shall provide its assessment to the DCM. Consistent with this agreement, the DACO will make a determination that the changes are beneficial, and not detrimental, to the Government.
7. For any costs re-allocated from the C-17 MYP contract, the DACO shall not recommend any decrease to the MYP contract to offset such cost shifts nor shall the costs shifted be deemed unallowable or unallocable against the receiving contract, provided that the total cumulative cost shifted does not exceed \$18 million in additional government liability on other definitized cost type or flexibly priced contracts. Costs shifted to other firm fixed priced contracts do not constitute an additional government liability and therefore shall not be included in determining the not to exceed amount.
8. For purposes of establishing the value of any costs shifted, the parties agree to use the study numbers generated by Boeing unless the DCAA takes exception, in which case the parties shall meet and attempt to resolve any differences. Should the parties continue to disagree on the value, the DACO shall act as the arbitrator and make the final decision.

Reference

Memorandum of Agreement between C-17 SPO and McDonnell Douglas Corporation, C-17 Lot 12 Reset and H-022 Negotiations, dated 18 October 2000.

Approvals:

Patricia Boggs
Colonel, USAF
Estimating
C-17 SPO Contracts Chief

Date:

Doris Hardridge
Contracting Officer
DCM, Long Beach

Date: _____

Tim E Degani
Director-Contracts, Pricing &
A&M Southern California Site
The Boeing Company

Date: _____

H-XXX Reduced Government Oversight Role

As part of the resolution of the Lot 12 reset and related H-022 issues, the parties agreed to convert the remainder of the multi-year contract (i.e. Lots 13-15) into a more commercial like acquisition approach. A key tenet of this conversion was to mutually establish a tailored government oversight role for the program. This clause is intended to summarize the government's reduced oversight role on Lots 13-15 and the transition to greater reliance on contractor self-assessment and third party process certification. The contractor shall continue to provide government insight into contractor processes via the Management Systems Assessment (MSA) and Joint Systems Management approach. The government shall be granted access to contractor generated data required for the performance of this contract in a format selected by the contractor, unless specifically stipulated otherwise in the contract. The government shall have the ability to review the contractor's accounting system solely for purposes of assessing contractor initiated Cost Accounting Disclosure Statement changes. Access to any other accounting records or related contract data shall be accommodated as set forth in H-048 Audit and Records.

H-048

AUDIT AND RECORDS

- (a) As used in this clause, “records” includes books, documents, accounting procedures and practices, and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.

- (b) Comptroller General
 - (1) The Comptroller General of the United States, or an authorized representative, shall have access to and the right to examine any of the Contractor’s directly pertinent records involving transactions related to this contract.
 - (2) This paragraph may not be construed to require the Contractor to create or maintain any record that the Contractor does not maintain in the ordinary course of business or pursuant to a provision of law.

- (c) Availability. The Contractor shall make available at its office at all reasonable times the records, materials, and other evidence described in paragraphs (a) and (b) of this clause, for examination, audit, or reproduction, until 3 years after final payment under this contract or for any shorter period specified in Subpart 4.7, Contractor Records Retention, of the Federal Acquisition Regulation (FAR), or for any longer period required by statute or by other clauses of this contract. In addition—
 - (1) If this contract is completely or partially terminated, the Contractor shall make available the records relating to the work terminated until 3 years after any resulting final termination settlement; and
 - (2) The Contractor shall make available records relating to appeals under the Disputes clause or to litigation or the settlement of claims arising under or relating to this contract shall be made available until such appeals, litigation, or claims are finally resolved.