

Stop Work Order

Current Environment - Stop Work Order (SWO)

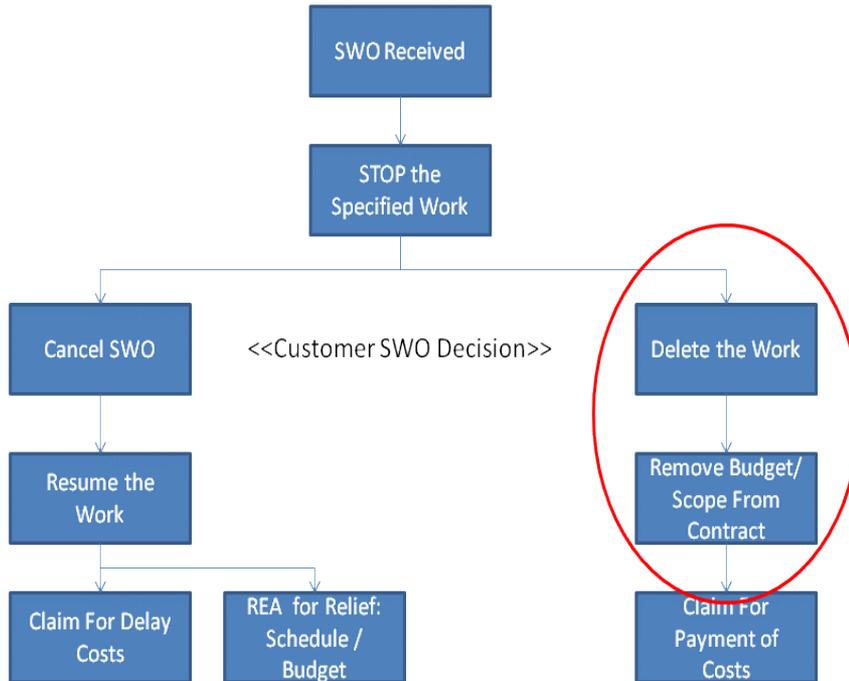
● Problem Statement

- Cost Type Contracts Not Always Properly Reflecting the Impact of a SWO on the Contract Target Cost (CTC) and resultant basis for Fee calculations
- There are no issues with Actual costs and associated payments calculations
- Tendency Is To Remove Actual Costs (or even Remaining Estimate) From the CTC Value Instead of Budgeted Values

● Background

- Genesis: We Contract for Original Budget Units (e.g.: “A Program for Five Aircraft”)
 - Problems Occur - the First 2 Aircraft overrun cost significantly with a forecast for even more significant total cost overrun at completion
- Stop Work/ Delete Work Should ALSO be at the Original Budget Units (Each Original Budget Unit [Aircraft] Budgeted at \$ XM)
 - Should Remove 3 times \$ XM for the SWO on the 3 Remaining Aircraft
 - Attempting to Remove Actuals (\$ XM PLUS \$ YM) or Remaining Estimate (\$ YM) would make the resultant CTC Go Negative

Current Environment - SWO Tree Diagram



- Focus on the Delete Work Decision
- Delete Remaining Original Budget Units
- Program Actual Costs and SWO Costs Handled Via Claims Process
 - No Issue on Claims (This Is Covered In FAR)

Stop/ Delete Work Order (SWO) Summary

Keep Apples With Apples and
Oranges with Oranges

1. When Adjusting the Contract Value, Use the Original Budgeted Units
2. When Processing Claims For Payments, Use The Actual Costs Incurred (includes Termination Costs) Again---There are no issues with Actual costs and associated payments calculations.
3. Action—Create clarifying language for contracting officers