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**DEFINITIONS**

Whenever used in this document, the following definitions shall apply:

**Allowable Costs** means those costs for which the Subcontractor seeks reimbursement and that meets the definition of an allowable cost as described in FAR 31.201-2 and that are consistent with the cost principles found in FAR Subpart 31.2 and DEAR Subpart 931.2.

**Hourly Rate** means the rate(s) prescribed in the Subcontract for payment for labor that meets the qualifications of a labor category specified in the Subcontract and that include wages, overhead, general and administrative expenses, and profit for each category of labor that are—

- (1) Performed by the Subcontractor;
- (2) Performed by Lower-Tier Subcontractors; or
- (3) Transferred between divisions, subsidiaries, or affiliates of the Subcontractor under a common control.

**Labor-Hour Contract** is a variation of a Time-and-Materials Contract, differing only in that materials are not supplied by the Subcontractor.

**Materials** means—

- (1) Direct Materials that enter directly into the end product, or that are used or consumed directly in connection with the furnishing of the end product or service, including supplies transferred between divisions, subsidiaries, or affiliates of the Subcontractor under a common control;
- (2) Lower tier Subcontracts for supplies and incidental services for which there is not a labor category specified in the Subcontract;
- (3) Other Direct Costs for incidental services for which there is not a labor category specified in the Subcontract (e.g., taxes, travel or computer usage charge);
- (4) Material Handling Costs that are excluded from the labor-hour rate; and
- (5) Applicable indirect costs allocated to Direct Materials in accordance with the Subcontractor’s usual accounting procedures and consistent with FAR Part 31.

**Time-and-Materials Contract** is a contract that provides supplies or services on the basis of—

- (1) Direct labor hours at specified fixed hourly rates; and
- (2) Actual cost for materials.

#### **ARTICLE 1.0 REQUIREMENTS OF TIME AND MATERIALS/LABOR HOUR SUBCONTRACTS**

Direct labor hours will be provided at Hourly Rates specified in the Subcontract’s Compensation Schedule.

- A. Materials that meet the definition provided in this Supplemental Provision and that are determined by the BUYER’s Procurement Representative to meet the definition of Allowable Costs and that are otherwise consistent with the Subcontract’s terms and conditions shall be reimbursed. Other Direct Costs shall not include any costs arising for the letting, administration, or supervision of performance of this Subcontract as such costs are to be included in the Hourly Rates identified in the Subcontract’s Compensation Schedule. The amount to be invoiced for Materials must be based on the SUBCONTRACTOR’s actual incurred costs with no additional fee or profit.
- B. To the extent able, the SUBCONTRACTOR shall obtain Materials and services at the most advantageous prices available with due regard to securing prompt delivery of satisfactory Materials; and obtain all cash and trade discounts, rebates, allowances, credits, salvage, commissions, and other benefits. Credit shall be given to the BUYER for cash and trade discounts, rebates, allowances, credits, salvage, the value of any appreciable scrap, commissions, and other amounts that have accrued to the benefit of the SUBCONTRACTOR or would have accrued except for the fault or neglect of the SUBCONTRACTOR. The benefits lost without fault or neglect on the part of the SUBCONTRACTOR, or lost through fault of the BUYER, shall not be deducted from gross costs.

#### **ARTICLE 2.0 TIMEKEEPING RECORDS SIGNATURE REQUIREMENT**

The SUBCONTRACTOR shall provide timecards for hourly employees and all non-fixed-price and cost reimbursable type (including time-and-material) sub-tiers prior to the payment of such costs. The timecards must reflect actual hours worked. The timecards must be signed by the employee and certified by the employee’s supervisor. The SUBCONTRACTOR and sub-tiers shall maintain adequate timekeeping

procedures, controls, and processes for billing Government work. A labor audit of the SUBCONTRACTOR and sub-tiers shall be conducted at least once every three years. The audit shall be conducted to either Institute of Internal Auditors standards (if conducted internally) or Generally Accepted Government Auditing Standards (GAGAS) (if conducted externally), unmodified. This clause shall be flowed down to all non-fixed price and cost reimbursable (including time-and-material) type sub-tiers.

## **ARTICLE 3.0 GENERAL INVOICE REQUIREMENTS**

### **3.1 Invoice Submission Requirements**

Original invoices and supporting documentation shall be submitted no more than once a calendar month to the BUYER's Accounts Payable organization at the address below:

HANFORD LABORATORY MANAGEMENT & INTEGRATION, LLC (HLMI)  
Accounts Payable  
P.O. Box 1796, Mail Stop: B6-02  
Richland, WA 99352

Email electronic invoices to: [HLMIAccountsPayable@navarro-inc.com](mailto:HLMIAccountsPayable@navarro-inc.com)

### **3.2 Invoice Payment Terms**

The SUBCONTRACTOR shall prepare all invoices in a form satisfactory to and approved by the BUYER's Procurement Representative. Except to the extent expressly stated elsewhere in this Subcontract, the invoice is payable thirty (30) calendar days after receipt by the BUYER of a properly marked and submitted invoice. Discounts are expected for earlier payments and shall be specifically incorporated in the Subcontract. All unit pricing and payments made shall be in United States dollars only, in the forms of cash, check, or electronic transfer as may be agreed upon. Remittance will be made only to the remittance address on file for the SUBCONTRACTOR. Invoices from third parties or with different remittance instructions or addresses will not be processed. Invoices may be submitted electronically, if in an acceptable format. All invoice requirements still apply to electronic invoices.

### **3.3 Invoice Certification**

Submittal of an invoice constitutes the SUBCONTRACTOR's certification that materials, work and/or services have been delivered as specified on the invoice in accordance with the Subcontract. This invoice certification additionally represents that all invoiced hours and materials are true, accurate and correctly represent the invoiced costs to accomplish this Work on the Subcontract. Falsely invoicing costs may result in civil or criminal penalties as a violation of the Federal False Claims Act (31 USC 37296).

### **3.4 Separate Invoice Requirements**

Each Subcontract or Subcontract Release shall be invoiced separately.

### **3.5 Minimum Invoice Requirements**

The invoice shall identify the following information:

The SUBCONTRACTOR's name, invoice number, and Subcontract number, and Task Release number.

The SUBCONTRACTOR's name and telephone number of a representative available to respond to invoice questions.

The total amount due for the billing period (this amount shall be separate from cumulative amounts or

subtotals included on the invoice).

A cost summary identifying all cost elements being invoiced. Cumulative values (i.e., invoiced to date values) for each item being invoiced are requested to be included as part of the invoice submission.

Each invoice must include a separate line item for sales tax unless an exemption from sales tax is specifically cited in the body of the Subcontract. Invoices that do not include a separate line item for sales tax will not be paid and will be returned to the Subcontractor.

The Subcontractor must provide itemized receipts, unless justification is provided explaining why itemized receipts cannot be provided. Credit card statements are not acceptable as invoice supporting documentation.

A synopsis with sufficient details to describe the work performed within the Period of Performance of the invoice.

Timekeeping Records shall be provided with each invoice submittal (except for Sole Proprietor - reference below). Timekeeping records submitted may be a system generated document, or equivalent, that identifies the project (job) number, employee name, dates worked and all associated daily hours and totals. These records shall be attached to the invoice and be included as part of the Invoice Certification requirement identified within this document.

A Sole Proprietor is when the business owner performs the Work. A Sole Proprietor shall submit invoices that identifies the project (job) number, dates worked, and all associated daily hours and totals. These records shall be attached to the invoice and be included as part of the Invoice Certification requirement identified within this document.

If overtime is being invoiced, the BUYER's authorization is required to be included with the invoice submittal.

A listing of ODCs invoiced that reconcile to the Subcontract's Compensation Schedule with supporting documentation as required by the BUYER's Procurement Representative.

A corresponding description of each item billed and the associated amount.

Invoices that include a total freight charge that is equal to or greater than one hundred dollars (\$100) must include a copy of the freight bill. If requested, the SUBCONTRACTOR must provide the weight, quantity, and shipping point. Subcontractor shall be reimbursed for reasonable freight charges as determined by the BUYER.

### **3.6 Fully Burdened Hourly Rate.**

Unless specified otherwise, the invoiced amount shall be computed by multiplying the appropriate hourly rate prescribed in the Subcontract's Compensation Schedule by the number of direct billable labor hours. The rates shall include wages, indirect costs, general and administrative expense, and profit. Fractional parts of an hour shall be payable on a prorated basis.

### 3.7 Identification of Uncompensated Overtime

Uncompensated overtime means the hours worked without additional compensation in excess of an average of forty (40) hours per week by direct charging employees who are exempt from the Fair Labor Standards Act. Compensated personal absences such as holidays, vacations, and sick leave shall be included in the normal workweek for purposes of computing uncompensated overtime hours.

The SUBCONTRACTOR's reporting of uncompensated overtime must be consistent with its established accounting practices and policies used to accumulate and report uncompensated overtime hours.

### 3.8 Rejection of Invoices

Any invoice submitted, which fails to comply with the terms of this Subcontract, including the requirements of form and documentation, may be returned to the SUBCONTRACTOR. Any costs associated with the resubmission of an invoice to meet these requirements shall not be reimbursed by the BUYER.

### 3.9 Withholding Invoice Payments

The BUYER may, at its sole discretion, withhold payment due for, but not limited to, the following reasons:

- Substandard Work or delays in the Work not corrected promptly.
- Evidence that a claim has been or will be filed against the SUBCONTRACTOR.
- Evidence that lower tier Subcontractors or suppliers have not been properly paid.
- Failure to provide accrual reports by the 16th of each month as specified in the Subcontract provisions.

### 3.10 Accruals

This provision applies to all Subcontracts unless the Subcontract is for one-time Work which will be billed during the month the Work was performed. The SUBCONTRACTOR shall provide monthly to the BUYER's Accounts Payable an estimate of the total billable cost from inception of the Subcontract through the current fiscal month end. The Fiscal Year Calendar can be accessed on the [Hanford external web site](#). This information must be provided electronically between the 12<sup>th</sup> and the 16<sup>th</sup> of each month using the login information contained in the SUBCONTRACTOR's confirmation email when the SUBCONTRACTOR completed its initial vendor registration with the BUYER.

Accruals are submitted through the Vendor Registration System at <http://www5.hanford.gov/vendreg>. Click on the accruals tab at the top of the screen and enter the current cost to date amount for the subcontract or release in the appropriate space. If you experience any technical difficulties, please contact us at [HLMIContracts@rl.gov](mailto:HLMIContracts@rl.gov). Alternative methods are email or mail and must be submitted by the 16th of each month to the following address:

HANFORD LABORATORY MANAGEMENT & INTEGRATION, LLC (HLMI)  
ATTN: Accounts Payable / MSIN B1-62  
P.O. Box 1796 Richland, WA 99352  
Email: [HLMIAccruals@rl.gov](mailto:HLMIAccruals@rl.gov)

SUBCONTRACTOR "Monthly Contract to Date Cost Estimate Form," can be obtained by emailing the [HLMIAccruals@rl.gov](mailto:HLMIAccruals@rl.gov) and requesting a copy.

Accrual data must be provided for each Subcontract or Subcontract release until all SUBCONTRACTOR invoices are received and Work is complete.

### **3.11 Reimbursement of Travel Expenses**

Only when authorized by the Buyer's Procurement Representative prior to arranging, conducting, and/or incurring travel expenses by the Subcontractor or the Subcontractor's employees, the Subcontractor will be reimbursed for travel expenses incurred in performance of this subcontract subject to the provisions of DEAR 970.3102-05-46, Travel Costs.

Expenses reimbursed are limited to costs incurred for transportation, lodging, meals, and incidentals expenses (M&IE) considered reasonable, allowable, and allocable (per the Federal Acquisition Regulation (FAR)) and do not exceed the maximum per diem rates in effect at the time of travel within the forty-eight (48) states as set forth in the Federal Travel Regulations (FTR). Subcontractor will take reasonable steps to minimize the amount of travel expenses.

- Allowable under the FAR, and the provisions of this Subcontract
- Reasonable
- Allocable and necessary to the performance of this Subcontract
- Travel time for a subcontracted professional employee is NOT billable unless specified in the Subcontract.
- Travel time for a subcontracted employee who is covered under the Fair Labor Standards Act IS billable per the Department of Labor.

Travel expense reimbursement requests must be invoiced in accordance with the subcontract invoicing requirements. Receipts must show the full original itinerary, including the name of the person(s) traveling, travel dates, travel times, and destination. Airfare costs must be separated from any lodging, car rental and/or any other travel charges, and must list the airfare class, agency fees, and that the lowest reasonably available airfare was booked. Subcontractor must provide itemized receipts for all airfare, agency fees, lodging, and car rental company charges regardless of dollar amount AND any other travel expenditures of \$75.00 or more.

The Subcontractor is expected to take reasonable steps to mitigate the amount of travel expense. When work assignments are such that travel for any one employee would exceed a short term (typically more than 30 days), the Subcontractor is expected to propose and implement lower cost alternatives (such as long-term lodging, temporary relocation, long term car rental, etc.).

Submittal of an invoice to the Buyer that includes travel expenses signifies Subcontractor's certification to all travel requirements outlined in this Subcontract. Failure to comply with the requirements may cause any request for travel reimbursement to be reduced or denied.

### **3.12 Taxes**

The SUBCONTRACTOR shall collect the applicable Washington State sales or use tax and include this on each applicable invoice. Sales tax must be listed as a separate line item on the invoice as stated in 3.1e above. If the SUBCONTRACTOR is an out of state vendor with no nexus in the State of Washington, taxes will be paid by BUYER. SUBCONTRACTOR shall notify the BUYER's Procurement Representative if they don't have a nexus in the State of Washington. All other Federal, State, county, municipal or other taxes must be included in the Subcontract amount and invoiced accordingly.

If as a result of this Subcontract, the SUBCONTRACTOR becomes eligible for Washington State Business and Occupation Tax Credit for Research and Development spending, the SUBCONTRACTOR shall take such tax credit and assign such tax credit to the BUYER. If the SUBCONTRACTOR applies for the Washington State Business and Occupation Tax Credit for Research and Development spending, the SUBCONTRACTOR shall notify the BUYER's Procurement Representative. The SUBCONTRACTOR shall fully cooperate with the BUYER in any tax audits, tax assessment reviews, or tax challenges.

**3.13 Offsets**

The BUYER, without waiver or limitation of any rights or remedies of the BUYER, shall be entitled from time to time to deduct from any amounts due or owing by the BUYER to the SUBCONTRACTOR in connection with this Subcontract (or any other Subcontract with the BUYER), any and all amounts owed by the SUBCONTRACTOR to the BUYER or the Government in connection with this Subcontract.

**3.14 Interest Payment**

No interest is payable to the SUBCONTRACTOR for any claim it may have, except that specifically imposed by a court of competent jurisdiction on any judgment, and then only in accordance with the terms of the judgment.

**3.15 Final Payment**

Upon completion of the Work, the SUBCONTRACTOR will notify the BUYER's Procurement Representative, in writing that the Work is complete, and that final payment is due. The final invoice shall be clearly marked "FINAL PAYMENT" and submitted for reimbursement after completion and acceptance of Work by the BUYER and compliance by the SUBCONTRACTOR with all terms of this Subcontract.

The final invoice shall be supported by all requested certifications and releases needed to close out the Subcontract including, but not limited to, the "Subcontractor Release of Claims." If the Work has been completed in accordance with this Subcontract, final payment will be made in accordance with the terms of this Subcontract. Final Payment shall not relieve the SUBCONTRACTOR of any obligation under this Subcontract.

**ARTICLE 4.0 LIMITATION OF FUNDS (CEILING PRICE)**

- A. The Subcontract (or Subcontract release) specifies the dollar amount authorized, the items covered, and the period of performance, the amount will cover. The SUBCONTRACTOR agrees to perform, or have performed, Work on the Subcontract up to the point at which the total amount paid and payable under the Subcontract, approximates, but does not exceed the total amount authorized on the Subcontract.
- B. When the parties have negotiated a total award value which exceeds current funding, the authorized funds on the resulting Subcontract will be limited using a limitation of funding provision.
- C. The authorized funding shall be considered a ceiling price which may not be exceeded until the BUYER's Procurement Representative notifies the SUBCONTRACTOR in writing that the ceiling price has been increased and shall have specified in the notice a revised ceiling that shall ~~not~~ be the ceiling price for performance under this Subcontract.
- D. The SUBCONTRACTOR shall notify the BUYER's Procurement Representative identified in the Subcontract, in writing whenever it has reason to believe that the costs it expects to incur under

this Subcontract in the next sixty (60) days, when added to all costs previously incurred, will exceed seventy-five (75) percent of the total amount so far allotted to this Subcontract. The notice shall state the estimated date when such allotted amount will be reached, and estimated amount of additional funds required to continue performance for the period specified in the Subcontract. If after such notification, additional funds are not obligated by the end of estimated reach date or by another agreed date, the BUYER's Procurement Representative shall upon SUBCONTRACTOR's written request, terminate this Subcontract on the performance end date or the date set forth in the request, whichever is later, pursuant to the provisions of the Termination provision of this Subcontract.

- E. Except as provided by other provisions of this Subcontract, specifically citing and stated to be an exception to this provision, the BUYER's Procurement Representative is not obligated to reimburse the SUBCONTRACTOR for costs incurred in excess of the total authorized funding; and the SUBCONTRACTOR is not obligated to continue performance under this Subcontract (including actions under the termination provision) or otherwise incur costs in excess of the allotted amount of this Subcontract, until the BUYER's Procurement Representative notifies the SUBCONTRACTOR in writing that the allotted amount has been increased and specifies the revised total allotted amount.
- F. No notice, communication, or representation in any form or by anyone other than the BUYER's Procurement Representative shall affect the authorized amount of this Subcontract. In the absence of the SUBCONTRACTOR's notification as described above, the BUYER's Procurement Representative is not obligated to reimburse the SUBCONTRACTOR for any costs in excess of the total authorized funding, whether incurred during the course of performance period, a termination, or result of an audit.
- G. When, and to the extent that the amount authorized by the BUYER's Procurement Representative is increased, any excess costs the SUBCONTRACTOR incurred before this amendment shall be allowable to the same extent as if incurred afterward, unless this Subcontract was terminated.
- H. Change orders (amendments) shall not be considered an authorization to exceed the estimated cost to the BUYER specified in the Subcontract, unless the change order (amendment) contains a statement increasing the Subcontract's estimated funding.

#### **ARTICLE 5.0 CHANGES – TIME-AND-MATERIALS OR LABOR-HOUR**

- A. The Buyer may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this subcontract in any one or more of the following:
  - (1) Description of services to be performed.
  - (2) Time of performance (*i.e.* hours of the day, days of the week, etc.).
  - (3) Place of performance of the services.
  - (4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the Buyer in accordance with the drawings, designs, or specifications.
  - (5) Method of shipment or packing of supplies.



- (6) Place of delivery.
  - (7) Amount of Buyer-furnished property.
- B. If any change causes an increase or decrease in any hourly rate, the ceiling price, or the time required for performance of any part of the work under this subcontract, whether or not changed by the order, or otherwise affects any other terms and conditions of this subcontract, the Buyer will make an equitable adjustment in any one or more of the following and will modify the subcontract accordingly:
- (1) Ceiling Price
  - (2) Hourly Rates
  - (3) Delivery Schedule
  - (4) Other Affected Terms
- C. The Subcontractor shall assert its right to an adjustment under this clause within 30 days from the date of receipt of the written order. However, if the Buyer decides that the facts justify it, the Buyer may receive and act upon a proposal submitted before final payment of the subcontract.
- D. Failure to agree to any adjustment will be a dispute under the Disputes clause. However, nothing in this clause excuses the Subcontractor from proceeding with the subcontract as changed.