

2. AMENDMENT/MODIFICATION NO. M139	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
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6. ISSUED BY U.S. Department of Energy National Nuclear Security Administration Service Center Property and M&O Contract Support Department P.O. Box 5400 Albuquerque, NM 87185-5400	7. ADMINISTERED BY (If other than Item 6) U.S. Department of Energy National Nuclear Security Administration Manager, Pantex Site Office P.O. Box 30030 Amarillo, TX 79120
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8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, state, ZIP Code) BWXT Pantex, LLC Route 726, Mt. Athos Road Lynchburg, VA 24506	9A. AMENDMENT OF SOLICITATION NO. 9B. DATED (SEE ITEM 11) 10A. MODIFICATION OF CONTRACT/ORDER NO. DE-AC04-00AL66620 10B. DATED (SEE ITEM 13) July 28, 2000
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CODE	FACILITY CODE
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11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation as amended, by one of the following methods:
 (a) By completing Items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

**13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS;
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.**

	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify authority): THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE-NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (Such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
X	D. OTHER (Specify type of modification and authority): DEAR 970-5204-11 entitled, "Changes"

E. IMPORTANT: Contractor is not, is required to sign this document and return 3 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of this modification is to agree upon the following matters for the period of October 1, 2007, through September 30, 2008:

1. Estimated Cost,
2. Maximum Available Fee

and to make various Modification and Additions to the Terms and Conditions

15A. NAME AND TITLE OF SIGNER (Type or print) J. Brian Bidwell Prime Contract Manager	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Contracting Officer Marc T. McCusker
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15B. CONTRACTOR/OFFEROR BY  (Signature of person authorized to sign)	15C. DATE SIGNED 10/30/07	16B. UNITED STATES OF AMERICA BY  (Signature of Contracting Officer)	16C. DATE SIGNED 10/31/07
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1. Contract Clause B.2 entitled, "Contract Type and Value," is revised to incorporate the Fiscal Year 2008 Total Available Fee. The revised Contract Clause B.2 entitled, "Contract Type and Value," is provided below in its entirety.

B.2 CONTRACT TYPE AND VALUE

This Contract is a cost-reimbursement management and operating type contract employing performance incentives. The Estimated Cost, Performance Incentive Fee, and Fixed Fee for Work for Others are set forth below.

- (a) Estimated Cost (exclusive of the Contractor's Fee) is set forth below:
 - (1) The transition period November 13, 2000 to January 31, 2001 will be on a cost reimbursement basis and the estimated cost is \$3,283,587. There will be no fee paid for the transition period.
 - (2) The Estimated Cost of the specific Contract periods, exclusive of the Contractor's available award fee, estimated cost for work for others, and other reimbursable work, if any, is set forth below:

<u>Contract Period</u>	<u>Estimated Cost</u>
February 1, 2001 through September 30, 2001	\$218,200,000
October 1, 2001 through September 30, 2002	\$426,264,000
October 1, 2002 through September 30, 2003	\$446,677,000
October 1, 2003 through September 30, 2004	\$496,340,000
October 1, 2004 through September 30, 2005	\$469,009,410
October 1, 2005 through September 30, 2006	\$426,791,583
October 1, 2006 through September 30, 2007	\$477,084,112
October 1, 2007 through September 30, 2008	\$515,915,000

- (3) The Estimated Cost for each subsequent NNSA fiscal year (exclusive of the Contractor's Fees) will be established by NNSA prior to the commencement of the applicable fiscal year in accordance with NNSA policy and incorporated into paragraph (a)(2) above by modification.
- (b)
 - (1) The Maximum Available Performance Incentive Fee for each fiscal year will be established by NNSA prior to the commencement of the applicable fiscal year in accordance with NNSA policy and incorporated into paragraph (b)(3) below by modification.
 - (2) The Fixed Fee for Work for Others for each subsequent fiscal year will be established by NNSA prior to the commencement of the applicable fiscal year in accordance with NNSA policy and incorporated into paragraph (b)(3) below by modification.

- (3) The total available fee is a combination of the Performance Incentive Fee and Fixed Fee related to the Work for Others and Other Reimbursable Work effort. This total available fee pool for the specified period is set forth below:

<u>Contract Periods</u>	<u>Available Fee</u>
February 1, 2001, through September 30, 2001	
Award Fee	\$ 8,678,420
Performance-Based Incentive	<u>\$ 6,021,580</u>
Total	\$14,700,000
October 1, 2001 through September 30, 2002	
Award Fee	\$10,547,745
Performance-Based Incentive	<u>\$12,752,255</u>
Total	\$23,300,000
October 1, 2002 through September 30, 2003	
Award Fee	\$ 7,652,040
Performance-Based Incentive Fee	\$10,959,960
Comprehensive Incentive Fee	<u>\$ 5,088,000</u>
Total	\$23,700,000
October 1, 2003 through September 30, 2004	
Award Fee	\$18,891,463
Performance-Based Incentive Fee	<u>\$ 7,508,537</u>
Total	\$26,400,000
October 1, 2004 through September 30, 2005	
Award Fee	\$20,880,300
Performance-Based Incentive	<u>\$ 7,260,265</u>
Total	\$28,140,565
October 1, 2005 through September 30, 2006	
Award Fee	\$18,611,339
Performance-Based Incentive	\$11,264,078
Work for Others (estimate)	\$ 109,778
Other Reimbursable Work (estimate)	<u>\$ 538,832</u>
Total	\$30,524,027
October 1, 2006 through September 30, 2007	
Award Fee & Performance-Based Incentives	\$33,395,888
Work for Others (estimate)	\$ 84,238
Other Reimbursable Work (estimate)	<u>\$ 457,800</u>
Total	\$33,937,926

October 1, 2007 through September 30, 2008	
Award Fee & Performance-Based Incentives	\$36,114,000
Work for Others (estimate)	\$ 186,000
Other Reimbursable Work (estimate)	<u>\$ 73,000</u>
Total	\$36,373,000

- (c) Up to thirty-five percent (35 percent) of the total available fee pool shown in (b)(3) above, excluding “Work for Others” and “Other Reimbursable Work,” for a given contract period may be paid to the Contractor provisionally in equal monthly increments of one-twelfth (1/12) of the total available fee pool amount per month. The final determination of fee will be made by the Fee Determining Official (FDO), in accordance with the fee clauses of this Contract. In the event that overpayment results from the payment of fee on a provisional basis, the Contractor shall reimburse such overpayment to the Government upon demand, payable with interest in accordance with the Section I Clause entitled “Interest”.

- (d) In the event Congressional appropriation deviates by more than (plus or minus) 25 percent from the “Laboratory Table” in the President’s Budget annual requests, the Contracting Officer shall unilaterally modify the contract to adjust the Maximum Available Incentive Fee based on NNSA fee policy.

- (e) Pursuant to the Contract’s Section I clause entitled “Obligation of Funds,” the total amount obligated by the Government is \$ _____ and associated accounting and appropriation data are:

PR Number App Symbol Allott B&R No. FT FP OBJ XID Amount

(End of Clause)

- 2. Contract Clause C.2.7.0 entitled, “Other non-DOE Support,” is modified to incorporate the requirement that the Contractor provide site support (i.e., technical: environmental; safety and health; security; administrative; etc.) to other federal agencies and/or contractors performing work at the Pantex Plant as directed by the Contracting Officer. The revised Contract Clause C.2.7.0 entitled, “Other non-DOE Support,” is provided below in its entirety.

7.0 Other non-DOE Support

The Contractor shall manage and execute other assigned programs related to the Pantex Plant mission for other Government agencies or privately owned organizations on a non-interference basis with other DOE work.

In addition, the contractor will provide site support (i.e., technical: environmental; safety and health; security; administrative; etc.) to other federal agencies and/or contractors performing work at the Pantex Plant as directed by the Contracting Officer.

3. Contract Clause H.17, entitled, "Travel Restrictions," is deleted in its entirety. This Clause duplicates requirements contained in Section J, Attachment A, entitled, "Personnel Appendix," of the Contract. Contract Clause H.17 will be marked as Reserved.
4. Contract Clause H.27, entitled, "Community Commitment," is deleted in its entirety. This Clause duplicates Department of Energy Acquisition Regulation (DEAR) clause 970.5226-3 contained in Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference." Contract Clause H.27 will be marked as Reserved.
5. Contract Clause H.28, entitled, "Performance Improvement and Collaboration," is deleted in its entirety. This Clause duplicates DEAR clause 970.5203-2 contained in Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference." Contract Clause H.28 will be marked as Reserved.
6. Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference," is modified to delete the reference to Federal Acquisition Regulation (FAR) 52.223-11, entitled, "Ozone-Depleting Substances," and DEAR 952.250-70, entitled, "Nuclear Hazards Indemnity Agreement." Both of these requirements are incorporated under other clauses in Section I of the Contract.
7. Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference," is modified to delete the reference to DEAR 970.5236-1, entitled, "Government Facility Subcontract Approval." This requirement was supposed to be deleted in Modification No. M094 when the Contractor was authorized to perform Davis-Bacon work.
8. Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference," is modified to delete the reference to DEAR 970.5245-1, entitled, "Property (Alternate I – DEC 2000)." This requirement is not applicable to the Contractor.
9. Contract Clause I.10, entitled, "Alterations in Contract," is modified to change subparagraph (j), *Statement of Cost Incurred and Claimed*, of DEAR 970.5232-3, entitled, "Accounts, Records, and Inspections." Specifically, the first sentence is modified to change the word allowable to unallowable. The revised subparagraph (j) is provided below in its entirety.
 - (j) **Statement of Costs Incurred and Claimed.** At any time during contract performance, should the contracting officer determine that the costs incurred are unallowable to an extent to cause him or her to lose confidence in the contractor's management controls or the contractor's management systems that validate the costs incurred and claimed, the contracting officer may, in his or her sole discretion, impose conditions upon the contractor's use of the special financial institution account or use of the Statement of Costs Incurred and Claimed in whole or in part, including direction that specific types of costs be claimed by periodic vouchering. This action shall not relieve the contractor from any obligation to perform its obligations under this contract. In addition, the contracting officer may direct the contractor to pay the Government an amount equal to the unallowable costs or payments improperly made and take any other action or combination of actions provided in this contract, at law, or //in equity.

10. Schedule I, entitled, "Principles and Procedures for Accounting and Reconciliation of DOE Funding Obligation," of Section J, Appendix A, entitled, "Personnel Appendix," is modified to delete the specific clause reference in Paragraph B., entitled, "Scope." The revised Paragraph B. is provided below in its entirety.

B. Scope.

These principles and procedures for financial settlement of pension funding obligations, as specified in paragraphs E. and F. below, shall apply with respect to the Plan. References to termination in these principles are intended to cover the circumstances created either when the Contract expires or when performance of work is terminated in accordance with the clause of the Contract entitled "Termination." The term "date of termination" means the date of expiration of the Contract term as extended and/or the effective date of termination as provided in said Clause.

11. Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference," is modified to delete the reference to DEAR 970.5215-2, entitled, "Make-or-Buy Plan." This requirement was eliminated in the March 31, 2006 Federal Register.
12. Contract Clause I.10, entitled, "Alterations in Contract," is modified to add DEAR clause 970.5244-1, entitled, "Contractor Purchasing System (DEC 2000)(Deviation)." This action is in compliance with DOE Policy Flash 2006-23. DEAR clause 970.5244-1, entitled, "Contractor Purchasing System (DEC 2000)(Deviation)," is provided below in its entirety.

DEAR 970.5244-1 CONTRACTOR PURCHASING SYSTEM (DEC 2000) (DEVIATION)

- (a) General. The contractor shall develop, implement, and maintain formal policies, practices, and procedures to be used in the award of subcontracts consistent with this clause and 48 CFR 970.44. The contractor's purchasing system and methods shall be fully documented, consistently applied, and acceptable to DOE in accordance with 48 CFR 970.4401-1. The contractor shall maintain file documentation which is appropriate to the value of the purchase and is adequate to establish the propriety of the transaction and the price paid. The contractor's purchasing performance will be evaluated against such performance criteria and measures as may be set forth elsewhere in this contract. DOE reserves the right at any time to require that the contractor submit for approval any or all purchases under this contract. The contractor shall not purchase any item or service the purchase of which is expressly prohibited by the written direction of DOE and shall use such special and directed sources as may be expressly required by the DOE contracting officer. DOE will conduct periodic appraisals of the contractor's management of all facets of the purchasing function, including the contractor's compliance with its approved system and methods. Such appraisals will be performed through the conduct of Contractor Purchasing System Reviews in accordance with 48 CFR subpart 44.3, or, when approved by the contracting officer, through the contractor's participation in the conduct of the Balanced Scorecard performance measurement and performance management system. The contractor's approved purchasing system and methods shall include the requirements set forth in paragraphs (b) through (y) of this clause.

- (b) Acquisition of Utility Services. Utility services shall be acquired in accordance with the requirements of 48 CFR 970.41.
- (c) Acquisition of Real Property. Real property shall be acquired in accordance with 48 CFR Subpart 917.74.
- (d) Advance Notice of Proposed Subcontract Awards. Advance notice shall be provided in accordance with 48 CFR 970.4401-3.
- (e) Audit of Subcontractors.
 - (1) The contractor shall provide for:
 - (i) periodic post-award audit of cost-reimbursement subcontractors at all tiers, and
 - (ii) audits, where necessary, to provide a valid basis for pre-award or cost or price analysis.
 - (2) Responsibility for determining the costs allowable under each cost-reimbursement subcontract remains with the contractor or next higher-tier subcontractor. The contractor shall provide, in appropriate cases, for the timely involvement of the contractor and the DOE contracting officer in resolution of subcontract cost allowability.
 - (3) Where audits of subcontractors at any tier are required, arrangements may be made to have the cognizant Federal agency perform the audit of the subcontract. These arrangements shall be made administratively between DOE and the other agency involved and shall provide for the cognizant agency to audit in an appropriate manner in light of the magnitude and nature of the subcontract. In no case, however, shall these arrangements preclude determination by the DOE contracting officer of the allowability or unallowability of subcontractor costs claimed for reimbursement by the contractor.
 - (4) Allowable costs for cost reimbursable subcontracts are to be determined in accordance with the cost principles of 48 CFR Part 31, appropriate for the type of organization to which the subcontract is to be awarded, as supplemented by 48 CFR Part 931. Allowable costs in the purchase or transfer from contractor-affiliated sources shall be determined in accordance with 48 CFR 970.4402-2 and 48 CFR 970.3102-21(b).
- (f) Bonds and Insurance.
 - (1) The contractor shall require performance bonds in penal amounts as set forth in 48 CFR 28.102-2(a) for all fixed priced and unit-priced construction subcontracts in excess of \$100,000. The contractor shall consider the use of performance bonds in fixed price nonconstruction subcontracts, where appropriate.

- (2) For fixed price, unit-priced and cost-reimbursement construction subcontractors in excess of \$100,000 a payment bond shall be obtained on Standard Form 25A modified to name the contractor as well as the United States of America as obligees. The penal amounts shall be determined in accordance with 48 CFR 28.102-2(b).
 - (3) For fixed-price, unit-priced and cost-reimbursement construction subcontracts, greater than \$25,000, but not greater than \$100,000, the contractor shall select two or more of the payment protections at 48 CFR 28.102-1(b), giving particular consideration to the inclusion of an irrevocable letter of credit as one of the selected alternatives.
 - (4) A subcontractor may have more than one acceptable surety in both construction and other subcontracts, provided that in no case will the liability of any one surety exceed the maximum penal sum for which it is qualified for any one obligation. For subcontracts other than construction, a co-surety (two or more sureties together) may reinsure amounts in excess of their individual capacity, with each surety having the required underwriting capacity that appears on the list of acceptable corporate sureties.
- (g) Buy American. The contractor shall comply with the provisions of the Buy American Act as reflected in 48 CFR 52.225-1 (May 2002), as amended by AL 2002-06 and 48 CFR 52.225-9 (May 2002), as amended by AL 2002-06. The contractor shall forward determinations of nonavailability of individual items to the DOE contracting officer for approval. Items in excess of \$100,000 require the prior concurrence of the Head of Contracting Activity. If, however, the contractor has an approved purchasing system, the Head of the Contracting Activity may authorize the contractor to make determinations of nonavailability for individual items valued at \$100,000 or less.
- (h) Construction and Architect-Engineer Subcontracts.
- (1) Independent Estimates. A detailed, independent estimate of costs shall be prepared for all construction work to be subcontracted.
 - (2) Specifications. Specifications for construction shall be prepared in accordance with the DOE publication entitled "General Design Criteria Manual."
 - (3) Prevention of Conflict of Interest.
 - (i) The contractor shall not award a subcontract for construction to the architect-engineer firm or an affiliate that prepared the design. This prohibition does not preclude the award of a "turnkey" subcontract so long as the subcontractor assumes all liability for defects in design and construction and consequential damages.
 - (ii) The contractor shall not award both a cost-reimbursement subcontract and a fixed-price subcontract for construction or architect-engineer services or any combination thereof to the same firm where those subcontracts will be performed at the same site.

- (iii) The contractor shall not employ the construction subcontractor or an affiliate to inspect the firm's work. The contractor shall assure that the working relationships of the construction subcontractor and the subcontractor inspecting its work and the authority of the inspector are clearly defined.
- (i) Contractor-Affiliated Sources. Equipment, materials, supplies, or services from a contractor-affiliated source shall be purchased or transferred in accordance with 48 CFR 970.4402-3.
- (j) Contractor-Subcontractor Relationship. The obligations of the contractor under paragraph (a) of this clause, including the development of the purchasing system and methods, and purchases made pursuant thereto, shall not relieve the contractor of any obligation under this contract (including, among other things, the obligation to properly supervise, administer, and coordinate the work of subcontractors). Subcontracts shall be in the name of the contractor, and shall not bind or purport to bind the Government.
- (k) Government Property. Identification, inspection, maintenance, protection, and disposition of Government property shall conform with the policies and principles of 48 CFR Part 45, 48 CFR 945, the Federal Property Management Regulations 41 CFR Chapter 101, the DOE Property Management Regulations 41 CFR Chapter 109, and their contracts.
- (l) Indemnification. Except for Price-Anderson Nuclear Hazards Indemnity, no subcontractor may be indemnified except with the prior approval of the Senior Procurement Executive.
- (m) Leasing of Motor Vehicles. Contractors shall comply with 48 CFR 8.11 and 48 CFR 908.11.
- (n) *[Removed and Reserved]*
- (o) Management, Acquisition and Use of Information Resources. Requirements for automatic data processing resources and telecommunications facilities, services, and equipment, shall be reviewed and approved in accordance with applicable DOE Orders and regulations regarding information resources.
- (p) Priorities, Allocations and Allotments. Priorities, allocations and allotments shall be extended to appropriate subcontracts in accordance with the clause or clauses of this contract dealing with priorities and allocations.
- (q) Purchase of Special Items. Purchase of the following items shall be in accordance with the following provisions of 48 CFR 908.71 and the Federal Property Management Regulations, 41 CFR Chapter 101:
- (1) Motor vehicles--48 CFR 908.7101
 - (2) Aircraft--48 CFR 908.7102
 - (3) Security Cabinets--48 CFR 908.7106

- (4) Alcohol--48 CFR 908.7107
 - (5) Helium--48 CFR 908.7108
 - (6) Fuels and packaged petroleum products--48 CFR 908.7109
 - (7) Coal--48 CFR 908.7110
 - (8) Arms and Ammunition--48 CFR 908.7111
 - (9) Heavy Water--48 CFR 908.7121(a)
 - (10) Precious Metals--48 CFR 908.7121(b)
 - (11) Lithium--48 CFR 908.7121(c)
 - (12) Products and services of the blind and severely handicapped--41 CFR 101-26.701
 - (13) Products made in Federal penal and correctional institutions--41 CFR 101-26.702
- (r) Purchase vs. Lease Determinations. Contractors shall determine whether required equipment and property should be purchased or leased, and establish appropriate thresholds for application of lease vs. purchase determinations. Such determinations shall be made:
- (1) at time of original acquisition;
 - (2) when lease renewals are being considered; and
 - (3) at other times as circumstances warrant.
- (s) Quality Assurance. Contractors shall provide no less protection for the Government in its subcontracts than is provided in the prime contract.
- (t) Setoff of Assigned Subcontractor Proceeds. Where a subcontractor has been permitted to assign payments to a financial institution, the assignment shall treat any right of setoff in accordance with 48 CFR 932.803.
- (u) Strategic and Critical Materials. The contractor may use strategic and critical materials in the National Defense Stockpile.
- (v) Termination. When subcontracts are terminated as a result of the termination of all or a portion of this contract, the contractor shall settle with subcontractors in conformity with the policies and principles relating to settlement of prime contracts in 48 CFR Subparts 49.1, 49.2, and 49.3. When subcontracts are terminated for reasons other than termination of this contract, the contractor shall settle such subcontracts in general conformity with the policies and principles in FAR subparts 49.1, 49.2, 49.3 and 49.4. Each such termination shall be documented and

consistent with the terms of this contract. Terminations which require approval by the Government shall be supported by accounting data and other information as may be directed by the contracting officer.

- (w) Unclassified Controlled Nuclear Information. Subcontracts involving unclassified uncontrolled nuclear information shall be treated in accordance with 10 CFR 1017.
- (x) Subcontract Flowdown requirements. In addition to terms and conditions that are included in the prime contract which direct application of such terms and conditions in appropriate subcontracts, the contractor shall include the following clauses in subcontracts, as applicable:
 - (1) Davis-Bacon clauses prescribed in 48 CFR 22.407.
 - (2) Foreign Travel clause prescribed 48 CFR 952.247-70.
 - (3) Counterintelligence clause prescribed in 48 CFR 970.0404-4(a).
 - (4) Service Contract Act clauses prescribed in 48 CFR 22.1006.
 - (5) State and local taxes clause prescribed in 48 CFR 970.2904-1.
 - (6) Cost or pricing data clauses prescribed in 48 CFR 970.1504-3-1(b).

(y) Legal Services. Contractor purchases of litigation and other legal services are subject to the requirements in 10 CFR part 719 and the requirements of this clause.

13. Contract Clause I.10, entitled, "Alterations in Contract," is modified to update DEAR clause 970.5203-1, entitled, "Management Controls (DEC 2000)(Deviation)." This action is in compliance with DOE Policy Flash 2006-23. The modified DEAR clause 970.5244-1, entitled, "Contractor Purchasing System (DEC 2000)(Deviation)," is provided below in its entirety.

DEAR 970.5203-1 MANAGEMENT CONTROLS (DEC 2000) (DEVIATION)

- (a) (1) The contractor shall be responsible for maintaining, as an integral part of its organization, effective systems of management controls for both administrative and programmatic functions. Management controls comprise the plan of organization, methods and procedures adopted by management to reasonably ensure that: the mission and functions assigned to the contractor are properly executed; efficient and effective operations are promoted *including consideration of outsourcing functions*; resources are safeguarded against waste, loss, mismanagement, unauthorized use, or misappropriation; all encumbrances and costs that are incurred under the contract and fees that are earned in compliance with applicable clauses and other current terms, conditions, and intended purposes; all collections accruing to the contractor in connection with the work under this contract, expenditures, and all other transactions and assets are properly recorded, managed, and reported; and financial, statistical, and other reports necessary to maintain accountability and managerial control are accurate, reliable, and timely.

- (2) The systems of controls employed by the contractor shall be documented and satisfactory to DOE.
 - (3) Such systems shall be an integral part of the contractor's management functions, including defining specific roles and responsibilities for each level of management, and holding employees accountable for the adequacy of the management systems and controls in their areas of assigned responsibility.
 - (4) The contractor shall, as part of the internal audit program required elsewhere in this contract, periodically review the management systems and controls employed in programs and administrative areas to ensure that they are adequate to provide reasonable assurance that the objectives of the systems are being accomplished and that these systems and controls are working effectively. *Annually, or at other intervals directed by the contracting officer, the contractor shall supply to the contracting officer copies of the reports reflecting the status of recommendations that result from audits of business, financial, or management controls performed by its internal audit activity and any other audit activity.*
- (b) The contractor shall be responsible for maintaining, as part of its operational responsibilities, a baseline quality assurance program that implements documented performance, quality standards, and control and assessment techniques.
14. Contract Clause I.2, entitled, "Notice-Section I Clauses Incorporated by Reference," is modified to change the date of the clause DEAR 970.5203-2, entitled, "Performance Improvement and Collaboration," from DEC 2000 to MAY 2006. This change is in compliance with DOE Policy Flash 2006-23.

(END OF MODIFICATION)