



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000



February 25, 1996

ACQUISITION AND
TECHNOLOGY
DP (DAR)

In reply refer to
DFARS Case: 95-D309
D . L . 96-002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN(RD&A) /ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTOR, PROCUREMENT POLICY, ASA(RD&A)/SARD-PP
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Allowability of Costs

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to implement Section 8122 of the FY 1996 Defense Appropriations Act (Pub. L. 104-61). Section 8122 prohibits the use of FY 1996 appropriated funds to reimburse a contractor for costs paid by the contractor to an employee when such costs are for a bonus or otherwise in excess of the normal salary paid by the contractor to the employee, and such bonus is part of restructuring costs associated with a business combination. This prohibition does not apply to severance or early retirement incentive payments.

This interim DFARS rule is effective immediately and will be published in a future Defense Acquisition Circular.

Eleanor R. Spector
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir



SUBPART 231.2 --CONTACTS WITH COMMERCIAL ORGANIZATIONS

231.205-6 Compensation for personal **services**.

* * * * *

- (f)(1) Costs for bonuses or other payments, that are in excess of the normal salary paid by the contractor to the employee and that are part of restructuring costs associated with a business combination, are unallowable under DoD contracts funded by fiscal year 1996 appropriations (Public Law 104 51). This limitation does not apply to severance payments or early retirement incentive payments. (See 231.205-70(b) for the definitions of "business combination" and "restructuring costs.")