



ACQUISITION AND  
TECHNOLOGY

DP (DAR)

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON DC 20301-3000

November 26, 1997

In reply refer to  
DFARS **Case:** 97-D312  
D. L. 97-021

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**  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Allowability of Costs for Restructuring Bonuses

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to implement Section 8083 of the FY 1998 Defense Appropriations Act (Pub. L. 105-56). Section 8083 prohibits the use of FY 1998 funds to reimburse a contractor for costs paid by the contractor to an employee when such costs are for a bonus or other payment 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 included in a future Defense Acquisition Circular.

Eleanor R. Spector  
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir

ENCLOSURE(2)



DEC 3 1997

ALLOWABILITY OF COSTS FOR RESTRUCTURING BONUSES  
DFARS CASE 97-D312  
INTERIM RULE

The baseline is the DFARS through DAC 91-12. Added language is in [bold and brackets]. Deleted language is indicated by ~~strikethrough~~.

PART 231-CONTRACT COST PRINCIPLES AND PROCEDURES

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SUBPART 231.2-CONTRACTS WITH COMMERCIAL ORGANIZATIONS

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231.205-6 Compensation for personal services.

\* \* \* \* \*

- (f) (1) [In accordance with Section 8122 of Pub. L. 104-61, and similar **sections** in subsequent Defense appropriations acts, **C[c]osts** for bonuses or other payments in excess of the normal salary paid by the contractor to an employee, that are part of restructuring costs associated with a business combination, are unallowable under DoD contracts funded by fiscal year 1996 [or subsequent] appropriations[.] ~~(Section 8122 of Pub. L. 104-61) or fiscal year 1997 appropriations (Section 8095 of Pub. L. 104-208).~~ 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. ")

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