

<?xml encoding="UTF-8">

## **42.709-1 Scope.**

(a) This section implements [10 U.S.C. 3743](#) and [41 U.S.C. 4303](#). It covers the assessment of penalties against contractors which include unallowable indirect costs in-

(1) Final indirect cost rate proposals; or

(2) The final statement of costs incurred or estimated to be incurred under a fixed-price incentive contract.

(b) This section applies to all contracts in excess of \$800,000, except fixed-price contracts without cost incentives or any firm-fixed-price contracts for the purchase of commercial products or commercial services.

**Parent topic:** [42.709 Penalties for Unallowable Costs.](#)