




Approve: 	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 1 of 6

1.0 POLICY/PURPOSE

The Corporate Officers, and managers of the company are accountable to the stockholders of the corporation and are responsible for ensuring that decisions are made; a) based upon on sound business and financial practices and b) exposure of the company to unnecessary financial risks are minimized.

The company will operate at risk only after an assessment is made by a Corporate Officer to determine the impact of the risk on the company, and the benefit to the company or our customers is identified.

2.0 SCOPE

This procedure applies to all Santa Barbara Applied Research, Inc. (SBAR) operating units.

3.0 REFERENCES AND DEFINITIONS

3.1 References

Federal Acquisition Regulation (FAR)

- 52.232-20, Limitation of Cost
- 52.232-22, Limitation of Funds


CP-00-3210, Stop Work Notice

3.2 Definitions

Mission Critical Function: An operational requirement that if not sustained and supported by the company, will result in a non-recoverable financial or other impact on the customer's mission.

Operation At Risk: Providing or continuing to provide products or services on a contract, Work Request (WR), Delivery Order (DO) or Task Order (TO) or other similar contract ordering document, without a fully executed contract or contract modification approved by the Contracting Officer for the product or service.



Approve: 	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 2 of 6

Stop Work Notice: A formal notification issued by the Accounting Manager or Controller of the SBAR business unit directing SBAR personnel to discontinue support on a contract, WR, DO or TO until further notice, or until an authorization to proceed is issued.

4.0 RESPONSIBILITIES

4.1 Accounting Manager/Controller

The Accounting Manager/Controller shall:

- Immediately advise the President when a cost overrun occurs and places the business unit at risk.
- Issue a Stop Work Notice, in accordance with CP-00-3210.

4.2 Corporate Officers

Approve or disapprove the use of risk funds or a decision continue operations at risk, based upon an assessment of the risk, the overall benefit to the company and/or our customers and specific contract requirements.

4.3 General and Program Managers

Program Managers shall:

- Operate only within the approved funding and hours limitations authorized by and documented by an approved contract or contract modification.
- Ensure that SBAR or subcontractor personnel do not operate at risk without the specific written approval of an SBAR Corporate Officer or by the Board of Directors.
- Immediately suspend operations on a contract, WR, DO or TO upon receipt of a Stop Work Notice.


Program Managers may:

- Request an authorization to operate at risk when it is determined to failure to do so, will adversely affect a) the workforce or b) a "Mission Critical" functions required by the customer and the appropriate Contracting Officer supports the request.

4.4 SBAR Contract Manager

- Identifies the issue that may require Operating at Risk.



Approve: 	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 3 of 6

- Coordinates with the appropriate Contracting Officer to determine the need for the company to operate at risk and potential benefit to the customer.
- Coordinate and resolve funding, Period of Performance, or other contractual issues with the customer's contracting officer or authorizing official.

5.0 REQUIREMENTS/PROCEDURES

5.1 General

The Federal Acquisition Regulations establish specific guidelines for operating under cost reimbursable contracts, within the limitation of costs and available funds. These requirements are identified in FAR 52.232-20 and 52.232-22 respectively. On firm fixed price contracts the company is required to operate and deliver the contractually defined product or service within established funding authorizations. Continuing to operate outside established contract authorized funding places the company at a financial risk. "Operating at Risk" is not permitted unless specifically authorized in accordance with this Work Instruction.

5.2 Conditions for Operating at Risk

Operating at risk is subject to the conditions, requirements and limits identified in Table 1. In all cases, prior approval of a Corporate Officer is required.

Operating at risk is limited to a maximum of three weeks or one billing cycle, whichever is less.


5.3 Requests for Authorization to Proceed at Risk

Requests for authorization to operate at risk must be submitted in writing to the President for approval. The request will identify,

- Contract number and specific CLIN, WR, and DO or TO against which the risk will be incurred.
- Reason the request should be considered.
- Maximum financial exposure that the company will experience.
- Maximum length of time, the company will be exposed to the financial risk.
- Probability for recovery of the costs associated with the effort.

The request must be supported by a written document from the Contracting Officer, indicating that if the company proceeds at risk, it has the full concurrence of the Government.



Approve: 	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 4 of 6

Under this circumstance the Contracting Officer must indicate in writing or via email that the requirement is "Mission Critical".

Table 1- Conditions for Operating at Risk

Contract Type	Condition	Requirement	Limited to				
			Direct Labor	Material	Travel	Subcontracts	
Fixed Price	Start-up without approved contract or modification.	<ul style="list-style-type: none"> Immediate startup is critical to completion within the negotiated schedule. Negotiations with the Government have been completed and a cost has been agreed upon. Concurrence of the Contracting Officer 	X				
	Continuation of work under an incrementally funded project.	<ul style="list-style-type: none"> Continuation is critical to continuity of operations and/or completion within the negotiated schedule. Written concurrence of the Contracting Officer. 	X	X	X	X	
	Continuation of work when the authorized funds are expended.	<ul style="list-style-type: none"> Product or service is not yet complete. A determination is made that no out of scope efforts or differing site conditions has occurred. Failure to continue could result in default. 	X	X	X		
	Continuation of work beyond the scheduled Period of Performance	<ul style="list-style-type: none"> Product or service is not yet complete. A determination is made that no out of scope efforts or differing site conditions has occurred. Adequate funding is available to complete the project. Failure to continue could result in default. 	X	X	X	X	
Cost Reimbursable	Start-up without approved contract or modification.	<ul style="list-style-type: none"> Immediate startup is critical to completion within the negotiated schedule. Negotiations with the Government have been completed and a cost has been agreed upon. Concurrence by the Contracting Officer that the contract or modification will be issued with an effective for the proposed start date. 	X	X			



Approve: <i>John J. Hart</i>	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 5 of 6

Contract Type	Condition	Requirement	Limited to				
			Direct Labor	Material	Travel	Subcontracts	
Cost Reimbursable	Continuation of work when the authorized funds are expended.	<ul style="list-style-type: none"> Product or service is not yet complete. A determination is made that no out of scope efforts or differing site conditions has occurred. Written concurrence from the Contracting Officer that the requirement is "Mission Critical". 	X				
	Continuation of work under an incrementally funded project.	<ul style="list-style-type: none"> Continuation is critical to continuity of operations and/or completion within the negotiated schedule. Written concurrence of the Contracting Officer. 	X	X			
	Continuation of work beyond the scheduled Period of Performance	<ul style="list-style-type: none"> Product or service is not yet complete. Adequate funds are available to complete the effort. Written concurrence from the Contracting Officer that the Period of Performance (POP) will be extended. 	X	X	X	X	
Under normal conditions when approved by a Corporate Officer, continuation of operations and expenditure of "at risk dollars" will be limited to the category of costs indicated by an 'X' in the "Limited To" column.							


5.4 Retention of Data

Electronic copies of estimates and supporting data are retained for five years beyond the period of performance for the contract or until contract closeout is completed.



Quality Assurance Work Instruction

CP-00-3200

Approve: 	Date: 25 May 2004	
Title: Operating At Risk	Rev NC	Page 6 of 6

PREPARATION, REVIEW, AND APPROVAL OFFICIALS

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