



# PACT<sup>TM</sup>

*Price Adjustment Calculation Tool*

FAQ sheet

October 2010

# **Frequently Asked Questions about PACT:**

## **Common Abbreviations used throughout PACT:**

**CBA**=Collective Bargaining Agreement  
**CFR**= Code of Federal Regulation  
**CSF**= Contractor Submission Format  
**DBA**=Davis-Bacon Act  
**DOL**= Department of Labor  
**FAR**= Federal Acquisition Regulation  
**FLSA**=Fair Labor Standards Act  
**H&W**= Health and Welfare  
**PACT**=Price Adjustment Calculation Tool  
**SCA**=Service Contract Act  
**WC**=Worker Compensation Insurance  
**WD**= Wage Determination

### **1. What is PACT?**

It is an excel spreadsheet with specifically embedded formulas used to calculate the correct amount of Service Contract Act price adjustment under the principals of FAR 52.222-43/44, 32 Fair Labor Standards Act and Service Contract Act Price Adjustment.

### **2. What "triggers" its use?**

Any and all events that would trigger a contractor's proposal to adjust the price of an SCA-covered contract under FAR 52.222-43 & 44, 32 such as modification of an updated WD into a contract at the exercise of option or a contract extension.

### **3. Is PACT use mandatory?**

No. However, its use is likely to make the process for requesting such adjustments to contract price more accurate and efficient and provides a common and consistent method to do so. Its use will also likely expedite the modification to the contract so the contractor may begin receiving the adjusted price much sooner than under the current process.

### **4. What contract type(s) are suitable for calculation using PACT?**

Fixed price contracts (FP) (other than Indefinite Quantity unit-priced line items). Time and material and labor hour type contracts are not

suitable for use with the existing PACT tools if they contain loaded labor rates or unit pricing.

**5. Does PACT calculate Davis-Bacon Act price adjustments when required?**

Yes. But only for those contracts that contain clause FAR 52.222-32, Davis-Bacon Act—Price Adjustment (Actual Method).

**6. Can PACT calculate the price adjustment for contracts with combined Davis-Bacon Act and Service Contract Act requirements?**

Yes. PACT can calculate a stand alone Davis-Bacon Act price adjustment or as an addition to a Service Contract Act price adjustment within the same contract. In other words, PACT can accommodate “combination” Service Contract Act and Davis-Bacon Act contracts (assuming the DBA price adjustment method is FAR 52.222-32, Actual Method).

**7. Does PACT calculate price adjustments for all types of WDs (odd numbered, even numbered or Collective Bargaining Agreement-based WDs)?**

Yes. PACT requires the contractor to enter applicable standard WD numbers into its contractor submission format (CSF) as well as any collective bargaining agreement (CBA) numbers. If the contractor correctly populates the data required by the PACT CSF, PACT will accurately calculate the price adjustment entitlement using the applicable WD rules.

**8. How can PACT account for the many differences between Standard WD entitlements and those which vary according to specific CBAs?**

PACT associates each record with a WD number that governs its entitlement calculation. Standard WD regulations are “hard coded” into the calculations and entitlement calculations are determined by the even or odd numbered nature of the WD number. Applicable CBAs must also be entered into PACT. For each applicable CBA, the contractor must input specific information about each hour type (HTC) that will determine the treatment of such variables in the entitlement calculations. In this way, PACT allows the necessary CBA-specific tailoring to accurately capture the economic factors relevant to price adjustment.

**9. Can all contractors use the PACT CSF spreadsheet to submit their price adjustment?**

Yes. Contractor submission is the same regardless of which WD(s) are included in the contract (odd numbered, even numbered or CBA based WDs) and can be populated either from a query of a contractor's automated payroll system or filled in manually by the contractor from other accounting records. See the Contractor section of the User Guide titled Using the CSF in a Collective Bargaining Agreement WD.

**10. Will PACT calculate unit pricing?**

No. Unit pricing is not included in the automated calculations of PACT. This should be handled outside of PACT. However, if a need becomes apparent, a tool for such adjustments may be created at some future date. As stated in FAQ #4, time and material and labor hour type contracts that often contain unit prices, will similarly not be suited for use with PACT.

If a contract is only partially unit priced, PACT can be used for the part of the contract that is NOT unit priced. (sometimes referred to as "lump sum fixed price").

**11. Is PACT accurate?**

Yes. Extensive development and testing has shown it to yield the same results as an expert, detailed, "manual" examination and calculation of contractor entitlements under the price adjustment clause.

**12. Does PACT include calculations for all portions of the contractors increased costs due to WD changes?**

Yes. The developers recognized that SCA price adjustments include three principal increases to contractors service employee labor cost - (1) wages, (2) H&W costs, and (3) cost that accompany the wage increases such as additional social security taxes, medicare taxes and workers compensation insurance costs. PACT includes calculations for all of these increases and also allows for the fact that workers compensation rules and rates often vary by state and specific job class. PACT also accounts for H&W in terms of taxable and non-taxable components of H&W payments to ensure that employers paying cash in lieu of fringe benefits receive their rightful entitlement to accompanying cost factors. Further, PACT can separate the treatment of hours according to hour type. Particularly

for H&W entitlement, certain hours are allowable for H&W payment and others are not. PACT has "hard coded" these complex rules (found in numerous locations in 29 CFR 4 section D) into the calculation for both odd and even numbered standard WDs. PACT allows tailoring of these factors in situations where CBA(s) are applicable.

**13. Are there any entitlements that PACT does not factor into its calculations?**

There are two factors that PACT does not calculate because they are both rare and their calculations contain numerous variables that can not be captured within a standardized formula.

**UNEMPLOYMENT TAXES (FUTA OR SUTA):**

First, unemployment tax "accompanying costs" are not calculated by the tool because they are rarely affected by WD changes and when they are the amounts are normally minor. For example, if a WD rate for the "old" period of performance was \$10.00 per hour, a regular full-time equivalent employee would normally earn approximately \$20,000 annually. If the WD rate increased to \$11 per hour, and approximately \$22,000 annually, the FUTA cost would not change since that tax is calculated on ONLY the first \$7,000 of each individual employee's earnings. In the rare event that the contractor has a large number of part-time employees or has a very high employee turnover rate and the wage increases DO actually impact its FUTA and SUTA costs, these should be calculated outside of PACT.

**CHANGES TO HOLIDAYS OR VACATIONS REQUIRED BY THE WD:**

Second, when Department of Labor adds additional holidays or additional vacation weeks to their WDs those amounts are not calculated by the tool. Holiday & Vacation entitlement increases or decreases are very rare since these entitlements are based on statistics gathered on large numbers of employers over a substantial length of time. Therefore, any request for adjustment for these infrequent added costs of WD compliance should be calculated separately from the PACT tool. Refer to the User Guide section entitled Increased Number of Holiday or Vacation Hours Required by the WD.

**14. Can PACT handle CBAs and standard WDs in the same spreadsheet?**

Yes. Refer to details in question 8. PACT can calculate entitlement for any number or combination of applicable WDs; Standard SCA WDs, Davis-Bacon WD's, or CBAs.

**15. Does the contractor still have to request a price adjustment amount? Or can they just submit the CSF?**

According to FAR 52.222-43/44 (f), the contractor must submit a request for price adjustment and "The notice shall contain a statement of the amount claimed..." This means that yes, they must tell the government the amount of money that they feel they are entitled to as a result of the incorporation of a new WD. The CSF is the "relevant supporting data" that validates that request.

**16. Can I use PACT or the CSF on an NISH contract?**

Yes. PACT has been field tested in a NISH environment and found to run smoothly when SCA is selected as an alternative for "Follow-on Year" pricing. When performing a price adjustment on an NISH contract, it's important to be aware of the NISH Pricing Memorandum 3. In section 8 (b) (2), there is reference to the "essential" follow-on year agreement. If the agreement reached between the government and contractor is drastically different than what is captured by the CSF and PACT, it may be necessary to perform your own calculations manually.

If you are using PACT however, certain elements of NISH contracts may look different than non-NISH contracts, but the mechanics and the mathematics work the same.

One example is the number of hours per employee. It is very common for NISH to employ an entirely part time work force. That would probably raise a flag on other contracts, but should not be viewed as out of the ordinary for NISH.

There is also a productivity factor that is generally applied to specific disability levels and pay is prorated accordingly. *As long as the contracting officer is paying due diligence to spot check the productivity factor records against actual pay and hour records, the calculation will still work in PACT.* The critical part is determining the correct new, previous, and actual rates of pay in light of the productivity factor.

**17. Is PACT compatible with MS Office 2007?**

Yes. PACT is compatible with both MS Excel 2003 and 2007. In MS Excel 2007, the Security Warning will trigger due to the presence of macros and code. The macros and code in PACT have been developed by Navy personnel and can be trusted. Users will have to click on the "Options" button in the "Security Warning" window. Once inside the Security Options window, the user will need to click the radio button called "Enable this content" for both Macros &

ActiveX and Data Connection. This process will be necessary each time the file is accessed. There is no "work-around" identified unless you store your PACT files in a "Trusted" folder. This is a heightened security feature in MS Office.