

ORDER FOR SUPPLIES OR SERVICES

IMPORTANT: Mark all packages and papers with contract and/or order numbers.

1. DATE OF ORDER 09/16/2009	2. CONTRACT NO. (If any) GS-10F-0466N	6. SHIP TO: John G. Hoban			
3. ORDER NO. DTMA1F09156	4. REQUISITION/REFERENCE NO. PR200090057	a. NAME OF CONSIGNEE DOT/Maritime Administration, MAR-330			
5. ISSUING OFFICE (Address correspondence to) DOT/Maritime Administration, MAR-380 1200 New Jersey Ave SE, MAR380 W26-429 Washington DC 20590		b. STREET ADDRESS 1200 New Jersey Ave., SE MAR380, W28-201			
		c. CITY Washington	d. STATE DC	e. ZIP CODE 20590	
7. TO:		f. SHIP VIA			
a. NAME OF CONTRACTOR MELANIE ARMSTRONG/703-918-1170		8. TYPE OF ORDER			
b. COMPANY NAME PRICEWATERHOUSECOOPERS LLP		<input type="checkbox"/> a. PURCHASE		<input checked="" type="checkbox"/> b. DELIVERY - Except for billing instructions on the reverse, this delivery order is subject to instructions contained on this side only of this form and is issued subject to the terms and conditions of the above-numbered contract.	
c. STREET ADDRESS 1800 TYSON BLVD 9TH FL		REFERENCE YOUR: Please furnish the following on the terms and conditions specified on both sides of this order and on the attached sheet, if any, including delivery as indicated.			
d. CITY MC LEAN	e. STATE VA	f. ZIP CODE 22102-4257			
9. ACCOUNTING AND APPROPRIATION DATA 7009 - - 1750HQ - 20091OP - - EDOE - - 250000012 - 5000 - - 25305 - - 6100 - 6600 - - -		10. REQUISITIONING OFFICE DOT/Maritime Administration, MAR-100			
11. BUSINESS CLASSIFICATION (Check appropriate box(es)) <input type="checkbox"/> a. SMALL <input type="checkbox"/> b. OTHER THAN SMALL <input type="checkbox"/> c. DISADVANTAGED <input type="checkbox"/> g. SERVICE-DISABLED VETERAN-OWNED <input type="checkbox"/> d. WOMEN-OWNED <input type="checkbox"/> e. HUBZone <input type="checkbox"/> f. EMERGING SMALL BUSINESS				12. F.O.B. POINT Destination	
13. PLACE OF		14. GOVERNMENT B/L NO.	15. DELIVER TO F.O.B. POINT ON OR BEFORE (Date)		16. DISCOUNT TERMS
a. INSPECTION	b. ACCEPTANCE				

17. SCHEDULE (See reverse for Rejections)

ITEM NO. (a)	SUPPLIES OR SERVICES (b)	QUANTITY ORDERED (c)	UNIT (d)	UNIT PRICE (e)	AMOUNT (f)	QUANTITY ACCEPTED (g)
	SEE LINE ITEM DETAIL					

SEE BILLING INSTRUCTIONS ON REVERSE	18. SHIPPING POINT	19. GROSS SHIPPING WEIGHT	20. INVOICE NO.		17(h) TOT. (Cont. pages)
	21. MAIL INVOICE TO: Leah MacHugh				
	a. NAME DOT/ Enterprise Services Center (ESC) OFO/FAA, Oklahoma City				\$340,462.92
	b. STREET ADDRESS (or P.O. Box) MARAD A/P Branch, AMZ-150 PO Box 25710				
c. CITY Oklahoma City	d. STATE OK	e. ZIP CODE 73125		17(i) GRAND TOTAL	

22. UNITED STATES OF AMERICA BY (Signature) 	23. NAME (Typed) Alfredia Rich-Murphy TITLE: CONTRACTING/ORDERING OFFICER
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**ORDER FOR SUPPLIES OR SERVICES
SCHEDULE - CONTINUATION**

PAGE NO.
3 of 7

IMPORTANT: Mark all packages and papers with contract and/or order numbers.

DATE OF ORDER 09/16/2009	CONTRACT NO. GS-10F-0466N	ORDER NO. DTMA1F09156
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ITEM NO. (a)	SUPPLIES OR SERVICES (b)	QUANTITY ORDERED (c)	UNIT (d)	UNIT PRICE (e)	AMOUNT (f)	QUANTITY ACCEPTED (g)
0001	<p>Special Independent Accounting of Selected Transactions at USMM Academy</p> <p>The contractor shall provide services to the Department of Transportation Maritime Administration on a Firm-Fixed-Price basis for Special Independent Accounting of Selected Transactions at the U.S. Merchant Marine Academy located in Kings Point, NY in accordance with the attached Statement of Work (SOW). The services shall be performed by four (4) individuals from one (1) of each of the following labor categories: a) Principal (Audit Partner), b) Manager (Audit Sr. Manager II), c) Senior Staff (Audit Sr. II), 4) Junior Staff (EDP Staff II). The period of performance shall be from September 16, 2009 through March 10, 2010. The services shall be performed Monday through Friday, eight hours per day and no more than forty (40) hours per week. Overtime shall not be authorized. Contracting Officer's Technical Representative (COTR) shall be David Rivait @ 202-493-0476. (Please see attached Designation Letter.)</p> <p>Travel: Allowable travel costs incurred by the Contractor in performance of this contract is authorized and reimbursable and shall be determined to be in accordance with the Federal Travel Regulations (FTR).</p> <p>Quality Assurance Surveillance Plan (QASP): The Government has elected to incorporate the contractor's proposed QASP (Section 4.0 Appendix A). The QASP is a plan describing how the agency will survey, observe, test, sample, evaluate and document the contractor's performance in meeting critical performance standards identified in this contract.</p> <p align="center"><i>Start Date</i> <i>End Date</i> 09/16/2009 03/10/2010</p> <p>Reference Requisition: PR200090057</p>	1.00	JOB	340,462.920	340,462.92	

TOTAL CARRIED FORWARD TO 1ST PAGE (ITEM 17i) ⇒ \$340,462.92

Statement of Work

U.S. Merchant Marine Academy Special Independent Accounting of Selected Transactions

I. Background

The U.S. Merchant Marine Academy (Academy) is located in Kings Point, New York, about 15 miles from New York City. The school is one of the Nation's five service academies. It has an annual operating budget of \$53 million, with close to 280 employees and 900 students. The Academy provides a four-year undergraduate program for the school's midshipmen, who become shipboard officers and leaders in the transportation field. Graduates from the Academy receive Bachelor of Science degrees and U.S. Coast Guard licenses as deck or engineering officers, or both, and a commission in the U.S. Naval Reserve or another uniformed service. The school is a component of the Department of Transportation's Maritime Administration. The Academy is also affiliated with 14 non-appropriated fund instrumentalities (NAFIs) involved in providing goods or services to the midshipmen.

In early 2008, MARAD conducted an internal controls review of the Academy and found several serious issues related to the obligation and expenditure of federal resources. As a result of these inquiries, several discrete follow-up accounting tasks have been identified in order to resolve the source and uses of certain funds; the nature and amount of possible previously unrecorded liabilities; and a determination as to whether some of these transactions may implicate further violations of the Anti-Deficiency Act, beyond those previously reported by the Secretary of Transportation in March of this year.

Section II provides additional detail for each of the five accounting tasks – A through E. Each task includes a brief background of the associated issues and a description of the task. These accounting exercises reference several of the school's NAFIs, which are connected to the questioned transactions. In particular, the NAFIs involved in these tasks are:

- **Fiscal Control Office (FCO)** – The FCO is a NAFI that was established to perform accounting and budget support for the Academy's other NAFIs, with the exception of the Athletics Association. To facilitate the financial activities of the NAFIs, the FCO maintains several commercial banks accounts. Collections and disbursements of funds from a subset of these accounts are a focus of several of the tasks in this Statement of Work (SOW). The FCO and its associated financial records are located on the Academy's campus.
- **Athletics Association** – The Athletics Association is a NAFI that supports the activities of the school's Department of Athletics. This NAFI and its associated records are also located on campus. The Athletics Association has its own commercial banks accounts. A subset of transactions in this SOW focuses on financial support for the Athletics Association derived from fees charged to the

midshipmen. The Athletics Association also earned revenue from certain commercial activities that it sponsored on campus. This revenue is an additional subject of this engagement.

- **Global Maritime and Transportation School (GMATS)** – GMATS operates on campus as a school for continuing maritime education. It facilitates its financial operations through its own commercial banks accounts. In the past, GMATS has provided support to the Academy through: 1) direct payments to an FCO bank account to compensate the school for GMATS’ presence on campus; 2) reserves held in GMATS accounts that were accessed by school officials; and 3) payments to the school and the Sail, Power, and Crew (SPC) NAFI for GMATS’ use of the Academy’s vessels. Each of these categories of transactions is the subject of this SOW.
- **Sail, Power, and Crew (SPC)** – This NAFI supports the operations of the school’s Waterfront Department. SPC conducts its financial activities through commercial bank accounts that are maintained by the FCO. At issue as part of this engagement is revenue received by the SPC from fees charged to the midshipmen, as well as revenue received by SPC and associated expenses connected to the lease or operation of Academy vessels.

II. Accounting Tasks

A. Midshipman Fees

Over the past several years, the Academy has charged the regiment of midshipmen \$3 million to \$4 million per year in fees that were supposed to be associated with the individual, personal expenses of each student. Until this academic year that began in July 2009, fees have recently ranged from about \$2,400 to \$7,000 per student, with plebes (1st year students) paying the most. The amount charged per student varies by class, as well as by major. Fees are adjusted slightly depending on whether a student is studying to be a Deck or Engineering Officer. Also, all students spend a year of their studies at sea. Fees for these students are modified during that period.

As a result of an examination of the revenues and expenses associated with the fees, several issues were identified. It appears that students may have been overcharged in two respects. First, for certain specific categories of expense, students apparently were charged for more than the actual cost of these goods or services. In some cases, this overcharge was, in part, attributable to a budget plan for fee revenue that identified “reserves” for certain categories of expense. Much of the revenue budgeted for reserves was, in fact, directed to the school’s operational expenses. In addition to this issue, some fees, although collected and used for their stated purposes, were for goods or services which, by statute, were arguably the government’s responsibility.

As a result of this recent examination of Midshipman Fees, the schedule of fees has been significantly modified. Fees have been reduced by over 60 percent. In addition to

eliminating reserves from fee revenue, other major adjustments included eliminating activity fees that supported the Athletics Association NAFI and the Sail, Power, and Crew NAFI. Fees were also a principal source of revenue for the school's IT Department. Those IT fees also have been eliminated, with the exception of fees that support a laptop computer that is purchased for each member of the plebe class. The revised fee schedule, effective for the 2009/2010 Academic Year, should fairly reflect fees that are the actual cost of goods or services provided to students, and categories of expense that are truly the personal responsibility of each student, rather than a cost that should be borne by the government. In evaluating the appropriateness of prior year fee collections, the new 2009/2010 schedule should serve as a good benchmark.

Historically, fees were collected to support six major categories of expense, comprising 37 individual line items. Fees were collected from each of the school's 900 students. Fee revenue is managed by the FCO in four¹ separate commercial bank accounts. Fee revenue was further distributed to a subset of the school's NAFIs, which managed this revenue. The FCO is the principal custodian of records related to the fees. These are mainly cuff records outside the school's official accounting system, as well as reports from the FCO's commercial checking accounts. None of the checking accounts related to the fees has been reconciled in at least the last three years.

Tasks Related to Midshipman Fees

Task A.1 For the past six Academic Years – 2003/2004 to 2008/2009 – The contractor shall conduct an initial review and assessment of midshipman fee records in the custody of the FCO to determine the sufficiency and completeness of the records for further analysis and review.

A.1.a For those years where the condition of the records is sufficient, the contractor shall conduct those additional tasks at A.2.

A.1.b For those years where records are not sufficient, the contractor shall conduct those additional tasks at A.3.

Task A.2 For the past six Academic Years – 2003/2004 to 2008/2009, the contractor shall account for Midshipman Fee revenue collected to support each fee category. Also, the contractor shall account for uses of the fees for each year by major category and line item of expense.

A.2.a –Excess Collections for Personal Expenses. For fees representing the personal, individual expenses of each midshipman, the contractor shall identify for each Academic Year the excess of fee collections over actual expenses, if any. As a guide, the revised fee schedule for the 2009/2010 Academic Year includes only those fees that are associated with the personal, individual expenses of each midshipman.

¹ These four bank accounts include: 1) fees from the current academic year; 2) fees from the prior academic year; 3) fee revenue derived from Pell Grants; and 4) fee revenue from federal student loans.

A.2.b – Subtotal of Non-personal Expenses. The contractor shall summarize separately fee collections and distributions for each Academic Year not included under A.2.a. These amounts should represent fees that could be characterized as the government's responsibility, or related to goods and services not provided to all midshipmen. In particular, major categories here included fees for the Athletics Association, the Sail Power and Crew Association, and fees for the operation of the IT network, among others.

A.2.c – Potential Fee Refund Calculations. The sum of the results from A.2.a and A.2.b by year represents a total that may be considered as a possible amount to refund to the students.

A.2.c.1 Based on these calculations, for each year, the contractor shall identify the associated components of A.2.a, A.2.b and an aggregate sum that may be considered as a possible amount to refund to the students of that academic year.

A.2.c.2 Further, to the extent possible, the contractor shall recommend a refund schedule by year at the student level that would take account of adjustments that may need to be considered for class year (e.g., plebe versus upper classman), area of study (e.g., Deck Officer versus Engineering Officer), and whether a student may have been at sea, rather than studying at Kings Point. The referenced schedule shall be accompanied by a characterization of the relative degree of confidence associated with each of the various estimates in the schedule.

A.2.c.3 The results of A.2.c.1 shall identify the scope of the government's potential obligation in terms of a possible refund to students by Academic Year. However, for accounting purposes, these calculations also shall need to be estimated as a potential amount for the associated fiscal years. Each academic year ends in June. For this subtask, the results for A.2.c.1 shall be presented as estimates by Fiscal Year.

Task A.3 If after the initial review in A.1 it is determined that the revenue and expense records for a particular Academic Year will not support the kinds of analyses contemplated in A.2, as an alternative the status of the accounting records for the problem year shall be summarized and further characterized as to their condition and further utility. Any sub-elements of tasks in A.2 that can be performed shall be completed and reported as partial results.

B. FCO Reserves

Over the past several years, the FCO appears to have financed some of the school's operations out of funds maintained in FCO bank accounts. These amounts, characterized as the "Superintendent's Reserves," are in three categories: 1) monies received from GMATS as payment for their tenancy on campus (approximately \$200,000 per year); 2) monies parked in FCO bank accounts from excess year-end appropriated funds (about \$100,000 in FY 2006 and \$200,000 in FY 2007); and 3) monies received from excess Midshipman Fee collections (amounts here may be in a range of approximately \$600,000 to \$800,000 per year, with amounts presumed to be less in prior years). Some of these reserves may be comingled in FCO bank accounts, with only cuff records to associate disbursements against particular reserve categories.

Tasks Related to FCO Reserves

Task B.1 For all three categories of reserves, as applicable, the contractor shall identify collections to these reserves and uses of funds for each of Fiscal Years 2006, 2007, and 2008. This analysis shall include sufficient detail on the uses of funds to identify any specific consequential questionable payment or categories of payments that may not be consistent with law, regulation, or policy. In particular, any payments that could not be fairly characterized as supporting the continuing operations of the school, but were for other purposes, shall be separately identified.

Task B.2 Activity for all FCO bank accounts that may include these three categories of reserves shall be reconciled for FY 2006, FY 2007, and FY 2008. To the extent that records do not support such reconciliations, or discrepancies are evidenced by the reconciliation process, these results shall be highlighted as part of this task.

Task B.3 With respect to reserves associated with excess Midshipman Fees, FCO bank accounts holding these balances have not been reconciled in the past three years. FCO reports showing increases and decreases to this reserve balance did not always reflect complete information. The September 2007 activity report for the account holding these reserves included disbursements that totaled \$100,000 but did not identify the associated payees. The contractor shall separately examine this \$100,000 discrepancy as part of this task to determine the source of the difference and whether this is an accounting error or is attributable to some other more specific explanation.

C. Use of Vessels

The Academy has custody and use of several federal ships, including the Academy's main training ship, the *Kings Pointer*, as well as other vessels used for training, including the *Liberator*, and the *Mariner*. Over a period of years, these vessels have been made available to other entities. Principal among these has been GMATS, which uses the *Kings Pointer* for some of its training classes. These ships have been leased to other entities by the Sail, Power, and Crew NAFI, apparently as the school's agent. Revenue from these "leases" has then been remitted to the Academy which would retain a portion

of these funds and pass along a portion to SPC for its use in supporting Waterfront activities. The order of magnitude of these transactions is in question, but is in a range of as much as approximately \$200,000 per year.

Task Related to Use of Vessels

Task C. For Fiscal Years 2006, 2007, and 2008, the contractor shall identify all activity related to the use of the *Kings Pointer* and other Academy-owned vessels by others, including all sources and uses of funds, and the accounts implicated in these transactions. The source accounts involved include the commercial bank accounts held by GMATS. Recipient accounts include, at a minimum, commercial bank accounts held by the FCO for the benefit of the SPC. Further, some funds may have been directly credited to the Academy's annual appropriation to offset certain expenses.

D. GMATS Reserves

In addition to transferring funding to the FCO to support the Academy's operations, over a period of years GMATS made funding available from its own accounts. These monies were meant to be indirect compensation for GMATS' use of the school's facilities. These resources have been characterized by GMATS as being "reserves" made available to support the school's bridge simulator, as well as certain of the school's academic departments, including Engineering and Humanities. The use of these funds was apparently at the discretion of various Academy officials. In total, these GMATS reserves in recent years totaled approximately \$50,000, or somewhat less.

Task Related to GMATS Reserves

Task D. For Fiscal Years 2006, 2007, and 2008, the contractor shall identify the GMATS reserves that were made available to Academy officials. The contractor shall account for the nature of this activity, the amounts, and the business purpose associated with the transactions for each of these reserves. This practice was discontinued sometime in late 2007. Therefore, little or no activity related to these reserves should be anticipated for FY 2008.

E. Camps and Clinics

Over a period of years, as a fund-raising device, the Athletics Association conducted a series of camps and clinics. These were modest business ventures in which participants would attend for a fee to enhance some athletic skill in a particular sport. Fees would be used to pay the instructors for these camps and clinics and residual funding would raise revenue for the Athletics Association. In some instances, the staff conducting these clinics were also Academy coaches. For 2008, fees collected from these activities was just over \$95,000.

Task Related to Camps and Clinics

Task E. The contractor shall perform an analysis to identify camps, clinics, or very similar fund-raising activities operated by the Athletics Association or other entities using Academy property or government assets. The contractor shall document the scope and nature of these activities and account for the sources and uses of funds for Fiscal Years 2006, 2007, and 2008. In particular, document payments to coaches constituting their personnel compensation, as well as payments, if any, that may have been made for taxes or social security. Other than the Athletics Association, no similar activities by other organizations on campus has to date been identified. If such activity has occurred beyond Athletics, it is assume to be nominal, but document the existence of such activities if identified.

III. Key Contractor Personnel

The project manager for this engagement shall be a certified public accountant having experience with federal agencies. Experience with the budget and accounting procedures and policies of federal agencies shall be a highly desirable qualification for each member of the project team. The contractor shall identify their points of contact and all key personnel associated with this engagement, including all personnel of any subcontractor. After contract award, these key personnel may not be substituted with others, without the prior approval of the Contracting Officer.

IV. Confidentiality and Other Matters

A. Confidentiality

The contractor is prohibited from publicizing or disseminating information associated with this contract without the prior written approval of the Contracting Officer.

B. Government Property

All products, including working papers, databases, and all other documentation related to this project are to be the property of the U.S. Government. No products produced under this project may be released to the public or other parties without the prior written approval of the Contractor Officer. Appropriate disclaimers shall be included in all deliverables. Products shall be submitted to the Maritime Administration in electronic form and hardcopy, upon completion of the contract.

C. Legal Conclusions

Care shall be taken to avoid legal conclusions regarding the significance or implications of facts ascertained. In particular, the contractor may not make a conclusion of legal liability to any party or entity.

V. Schedule of Deliverables

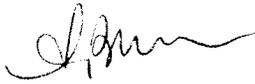
1. Post-award Conference – To occur at the Maritime Administration in Washington, DC, within 10 business days of award.
2. Work Plan – within 45 calendar days of award. Given the variable condition of the records by year associated with the tasks that are part of this engagement, the government anticipates that the contractor will perform a short, initial field visit to assess further the scope of work and formulate an approach for accomplishing each task. This will also be an opportunity for the contractor to seek clarification of particular tasks in order to better define the course of work that will meet the government's objectives. The government will provide comments on the work plan within 10 business days.
3. Preliminary Results: Midshipman Fees (Task A) – Preliminary results from this task shall be presented as a PowerPoint display or in another informal tabular format that would convey the key results. These preliminary results shall be presented as a component of one of the weekly status briefings (Deliverable 6), following the completion of field work on Task A.
4. Draft Report – Within 135 calendar days of an agreed date to begin field work. The draft report shall include the contractor's results for each of Tasks A through E. The government is flexible regarding a date to begin field work, depending on the availability of contractor staff. As a target, a draft report by early in the third quarter of FY 2010 is highly desirable. On receipt of the draft report, the government will provide comments for the consideration of the contractor within 10 business days.
5. Final Report – Within 10 business days of receiving the government's comments on the draft report.
6. Status Briefings – During the period of the field work, there shall be a weekly status briefing either in person or by teleconference with MARAD's financial officials. The main purpose of these briefings shall be to update MARAD management on the progress of the work on Tasks A through E, as well as to identify any new issues that may have come to the attention of the contractor during the course of the work.
7. Final Report Briefings – After issuing the final report, the contractor shall accommodate two briefings in Washington to senior agency or departmental officials on the results discussed in the final report.



U.S. Department
of Transportation
**MARITIME
ADMINISTRATION**

400 Seventh Street, S.W.
Washington, D.C. 20590
September 16, 2009

Subject: Appointment as a Contracting Officer's Technical Representative (COTR)

From: Alfredia Rich-Murphy, Contracting Officer 

To: David J. Rivait
Chief Financial Officer
MAR-250

You are hereby appointed as the Contracting Officer's Technical Representative (COTR) under contract DTMA109156 with PriceWaterHouseCoopers, LLP to provide services for Special Independent Accounting of Selected Transactions at U.S. Merchant Marine Academy. As the COTR, your primary duty is to monitor the Contractor's performance to ensure that all of the technical requirements under the contract are met by the delivery date or within the period of performance, at the price or within the estimated cost stipulated in the contract.

In the performance of the duties delegated to you in this letter, you are cautioned that you could be held personally liable for actions taken or directions given by you to the Contractor that are beyond the authorities given to you in this letter. The duties or authorities in this letter are not delegable; therefore, you must immediately advise the Contracting Officer when you are unable to perform these duties.

Your duties and limitations, as applicable to the contract you will be monitoring, are as follows:

Monitoring Performance

Ensure that the Contractor complies with all of the requirements of the statement of work, specifications, or performance work statement, and when requested by the Contractor, provide technical direction to the Contractor's technical manager. This technical assistance must be within the scope of the contract (e.g., interpreting specifications, statement of work, performance work statement, etc.). When a difference of opinion between you and the Contractor occurs, notify the Contracting Officer or the Contracting Specialist immediately for resolution.

Ensure that the personnel being used by the Contractor are of the same caliber that was originally proposed by the contractor to the Government. The experienced personnel contracted for and/or approved by the Government should not be diluted by the use of personnel with less experience. However, you may not permit changes, substitutions, or additions to personnel. Any decrease in or lack of performance shall be brought to the attention of the Contracting Officer or Contracting Specialist.

You will also be required to complete an "Evaluation of Contractor Performance Sheet" within 30 days after the contractor has met all terms and conditions of the contract in the NIH past performance evaluation system.

Monitoring Costs

Review and evaluate the Contractor's progress in relation to the expenditures. When the costs expended by the Contractor are not commensurate with the Contractor's progress, bring this to the attention of the Contracting Officer or Contracting Specialist for immediate action.

Review the Contractor's invoices/vouchers for reasonableness and applicability to the contract and recommend to the Contracting Officer either approval, conditional approval, or disapproval for payment in sufficient time so that action can be taken to ensure Government compliance with the Prompt Payment Act, thereby avoiding the payment of interest penalties to the Contractor.

Changes to the Contract

You cannot authorize the Contractor to stop work, and you are not authorized to delete, change, waive, or negotiate any of the technical requirements or other terms and conditions of the contract. Should a change (monetary or otherwise) to the contract become necessary, it must be made by a contract modification issued by the Contracting Officer. When in doubt, contact the Contracting Officer or Contracting Specialist.

Any contract change requested by the Contractor must be put in writing by the Contractor to the Contracting Officer for action. You should immediately advise the Contracting Officer or Contract Specialist of the proposed change since it may affect the contract price, cost, or delivery/performance schedule. When the proposed change is received by the Contracting Officer, you will be required to provide the Contracting Officer with a written analysis and rationale for the change and to evaluate any costs associated with the change. You must also recognize and report to the Contracting Officer any Government required changes to the contract (e.g., items or work no longer required, changes in the specifications, etc.).

Visits and Meetings with the Contractor

You may make arrangements with the Contractor for periodic visits to the Contractor's facility to: (1) evaluate the Contractor's performance; (2) evaluate changes in the technical performance affecting personnel, the schedule, deliverables, and price or costs; (3) inspect and monitor the use of Government property, if applicable; and (4) ensure that employees being charged to the assignment/task order are actually performing the work under the contract. A trip report fully documenting all activities during the visit must be written and a copy provided to the Contracting Officer within three working days after the visit. Document the file to record each meeting and telephone conversation with the Contractor. A daily log book is recommended which should reflect the date, time, name, and title of individual(s) involved, the subject matter, and the details of the meeting or conversation.

Inspection of Contract Items

When notified by the Contractor or the Contracting Officer, perform, in accordance with the terms of the contract, inspection, acceptance or rejection of the supplies, services, or construction. Immediately notify the Contracting Officer of all rejections and the reason for

the action. Review progress reports from the contractor and advise the Contracting Officer of any Contractor problems or action required to be taken by the Government.

Standards of Conduct and Conflict of Interest

In accordance with FAR 48 CFR Part 3 and TAR 48 CFR Part 1203 and TAM Chapter 1203, Improper Business Practices and Personal Conflict of Interest, provide guidance to avoid improper business practices and personal conflicts of interest and deal with their apparent or actual occurrences. Please read these documents and contact the Contracting Officer should you require further information or clarification on this subject matter. All regulatory information is available on MARAD's Intranet at http://intramarad.dot.gov/acquisition_regulations.html.

Contract File Content and Maintenance

Establish and maintain an organized contract administration file to record all Contractor and Government actions pertaining to the contract. The COTR's file is of particular importance since the documentation of your interaction with the Contractor may be used in the event of litigation. In addition, an organized file facilitates an easy transition from one COTR to another if reassignment becomes necessary. The file(s) should be organized as follows:

- (1) File 1: The contract instrument (i.e., contract modifications, task orders, delivery orders, and the contractor's proposals applicable to these documents).
- (2) File 2: The COTR's delegation letter, and all correspondence between the Contractor and the Contracting Officer, filed in chronological order.
- (3) File 3: A copy of the Contractor's invoices and any correspondence pertaining to payment under the contract.
- (4) File 4: The COTR's trip reports and written memoranda to the file on telephone conversations or other meetings with the Contractor.
- (5) File 5: A copy of the Contractor's progress reports and other contract deliverables, and all correspondence pertaining to these documents.

The size of the contract may not warrant a separate folder for each file. If less than five folders are used, the sections must be tabbed to segregate each file.

Evaluating Performance

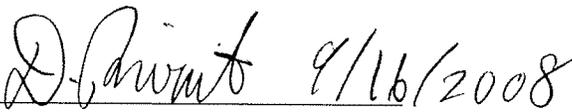
When requested by the Contracting Officer, you will be required to complete a past performance evaluation using the electronic NIH Contractor Performance System (NIH/CPS). In order to use NIH/CPS you will need to visit <https://cps.nih.gov/> and register yourself as an evaluator/COTR so that the Contracting Officer can forward past performance evaluation requests to you. You are required to complete your evaluation within 30 days after notification. If you are unable to complete the evaluation within the 30 day time frame you should contact the Contracting Officer and request an extension.

Please acknowledge receipt and acceptance of this appointment by signing and returning the attached sheet to the Contracting Officer or Contracting Specialist. Your appointment as the

COTR under the above numbered contract is terminated upon receipt of a written notice of termination from the appointing contracting officer, the contracting officer's successor, or a higher level of authority. Please direct any questions you may have on this delegation to the Contracting Officer or Contracting Specialist.

COTR Acknowledgment

I understand and accept my assignment as the Contracting Officer's Technical Representative (COTR) under Contract No. DTMA1F09156 as outlined in your letter to me dated September 16, 2009.



(Signature of COTR)

David J. Rivait, Chief Financial Officer

(Typed Name and Title of COTR)