

SECTION IV

CONTRACT ADMINISTRATION

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PART I -- GENERAL

The task of supervising and monitoring the administration involved in the construction contracts for this project was tremendous and difficult.

The initial working estimate for construction of the Titan I operational squadron at Ellsworth Air Force Base was \$47,205,800.00 including on-base support facilities as follows:

6134	Guided Missile Assembly Building	\$ 854,725.00
6294	Liquid Oxygen Facility	426,393.00
6419	Re-Entry Vehicle Facility	17,850.00
6675	Re-Entry Vehicle Facility	20,984.00
5683	Water Wells	1,064,152.00
5850	Access Road - Complex 1B	438,999.00
6057	Relocation RR Access Roads	<u>10,290.00</u>
		\$2,866,881.00

As of 20 March 1962, a total of 265 modifications on Contract DA-5919 (including settled claims) were initiated at a cost of \$20,884,059.00.

As of 20 March 1962, the current construction estimate for the program was approximately \$64 million and represented a cost growth of 31%.

The greatest period of issue of modifications occurred from the month of September 1960, nine (9) months after construction commenced, through July 1961. Modifications were issued at a rate of 15-20 modifications per month during these months. In addition, to rectify

and correct the modifications, there were more than 176 amendments and/or clarifications issued before the final details were correct and usable.

The progress of construction was considerably hampered and delayed because of modifications and changes. With the contractor being under pressure for timely completion and the necessity for major redesigns by the Government, the progress of construction played an extremely important part in the cost growth and settlement of modifications. Because of the lack of time, too often changes were promulgated without consideration of status of construction, and preliminary A-E control estimates, upon which decisions to proceed in many instances were predicated, were frequently qualified to exclude any consideration of the status of construction. The preparation of any estimate must be predicated on the exact field status, since a major portion of cost can be tear-out of previous work. Such was the situation in the Titan program. Too often mandatory changes lagged construction by three (3) months or more. Such substantial costs entered into the pipe support modifications and a series of blast valve changes. The interference modifications necessitated major amounts of tear-out. Another off-shoot was the continual issuance of modifications effecting previously completed areas. Substantial costs became apparent and were compounded by such items as having to repeatedly clean up due to modification work after completion. These costs have accounted for approximately one million dollars.

Preparation of Government cost estimates became a serious problem, and early in the program the need for expansion of the Area staff, to

include an Estimating Section in the CA Branch, was recognized. Since there were not enough qualified estimators in the area to fill these positions, contracts were entered into with the Architect Engineer and Estimators Limited, to furnish estimators to assist the Area Office.

Because of the numerous intangible factors entering into the situation, such as overtime and multiple shifting, loss of productivity, Impact and Effect, status of construction, congested conditions, joint occupancy, labor scarcity, labor inefficiencies and volume and complexities of modifications, cost estimating to include all such intangible factors were extremely difficult. By failure to consider any of these factors, the control and funding estimates could scarcely be realistic and it became obvious that complete documentation was required and would serve as a very effective means of control or for comparative purposes. Time consumed in researching the above factors, at times, delayed availability of estimates upon which to base a settlement. The necessity of evaluating these intangible factors required an ample staff of competent estimators who were not available until the project was well underway. Hence, the next effect was the delay of settlements and an increase in the overhead costs because of the volume of changes.

Acceleration, in order to maintain a firm schedule, was a major factor that had to be considered in some instances; with one exception, there was no major acceleration of the original contract work. This exception was the directed accomplishment of certain structural backfill in launcher areas to assure backfill completion prior to onset of winter.

However, modifications arising from certain unforeseen events caused delays and/or replacement of contract work, and such modifications required accelerated accomplishment to meet original overall schedules.

Some major examples of this aspect are cited below:

1. The A. D. Little Company completed a stress analysis of pipe supports well after the contract work started. This redesign resulted in a \$5,200,000.00 increase (Mods 35, 37, 71, 81, 82 and 168 DA-5919). An appreciable portion of costs of these modifications was due to acceleration and interferences. Due to late design changes, fabrication and installation of pipe supports were made late and was out of normal, practical, construction sequence. Supports, consisting of structural steel members of ten foot lengths, had to be individually fitted onto missile silo walls that were already cluttered by multitudes of vertical and horizontal electric conduits and piping (piping was installed on temporary supports).

2. Late approval of shop drawings, laboratory shock test data, etc. retarded the contractor so that he was compensated under Mod 184 (approximately \$1,650,000.00) for the acceleration necessary to regain his schedule.

3. The award of standardized equipment contracts necessitated delay and redesign of such items as generator foundations to fit the idiosyncrasies of individual equipment. Acceleration to regain lost time in this instance was covered by Mod 145 (approximately \$400,000.00).

The job proceeded under conditions of acceleration until it became obvious, early in 1961, that even with accelerated effort it would be

impossible to meet originally scheduled completion dates. Consequently, subsequent modifications were issued for the most part on a non-

accelerated basis, i.e., with the reservation to not increase the current rate of production without approval of the Contracting Officer.

A lengthy review was then made of all current pending modifications and time extensions were granted under Modification Nos. 160 and 205.

This substantially simplified subsequent negotiations, estimating and settlements through Modification No. 203. For remaining modifications, the project was essentially completed and most modifications subsequently issued contained separate completion dates for the work.

However, inasmuch as the contractor considered the extensions inequitable, and that he was subject to assessment of liquidated damages, it followed that settlements on remaining modifications would include his attempt to justify and recoup any such losses.

Equitable contract adjustments were developed by the Contracting Officer on the basis of determining: (1) the estimated monetary value of each respective change order; (2) the estimated extent of time adjustment due as a result of each change order. Following this development, if a time extension was found to be normally valid, an estimate would be prepared reflecting the monetary value of the effort which would be required of the contractor in augmenting his labor, supervisory and engineering forces. Also considered were his plant, and/or the necessity of placing his forces on extended hourly shifts to overcome and nullify the effect of added work and thus preclude an extension of time.

Through the course of change order negotiations relative to

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this aspect, the phrase "impact" entered; this is the monetary incurren-
ces resulting from placing the labor forces performing the change
order work, together with its supporting plant, on an extended over-
time basis. This minimizes and overcomes a portion of time delay
incurred due to the added change order work. "Effect" also came into
being; this is the monetary incurren^{ces} resulting from placing the
labor forces performing remaining original contract work together with
its supporting plant, on an extended overtime basis, to overcome the
remainder of the delay.

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It follows that with the complexity of the intangible factors
involved in the above estimates, many of the negotiations would break
down until all factors could be fully evaluated. The factors to be
considered during negotiations were usually of such a complex nature
that it took several days of sustained scope meetings to isolate the
cost factors involved. However, when sufficient skilled personnel
became available, and when a complete study was available, timely,
successful negotiations became possible in short time spans.

Lastly, design changes were an important and influencing factor
in the difficult task of administering this contract. These changes
were primarily due to the fact that research and development of the
Titan I missile and launch facilities was proceeding concurrently
with the construction of the complexes. A major design change was
one that was required in all three of the launch complexes being
constructed, cost more than \$100,000.00 and made a significant change
in the facility without which the overall system would not operate.
Throughout this project, there were 135 local SATAF design changes

(CO-ELL), 55 Los Angeles BSSF Design Changes (C.O.C.), 19 DE District (Omaha, Sacramento) changes and 13 CE Area field changes for a total of 233. Of these, 9 were cancelled and 3 were deferred, leaving 221 active changes.

In conclusion, there were no major features of work added to the contract as supplemental agreements or modifications to service contracts. The modifications were changes in design, etc., to the original contract work.

Following is a brief history of each construction contract with original and final contract cost, the total number of modifications and claims exceeding \$100,000.00 each, together with their description and comments concerning their settlement.

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WS-107A-2 TECHNICAL FACILITIES

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COMPLEX 1A, 1B and 1C

Contract Number: DA-25-066-ENG-5919

Date of Contract: 8 December 1959

Contractor: Leavell-Scott & Associates

Joint Venturer

1900 Wyoming Street

El Paso, Texas

Scope of Work: Construction of one complete Titan I launching facility at each of three sites or complexes.

Each complex consist of: Three launch stations, each with a Missile Silo, Equipment Terminal, Propellant Terminal and Propellant System. One guidance facility with two Antenna Terminals. One underground Powerhouse with electric generating, heating and air-conditioning equipment. Interconnection tunnels for utilities and personnel. Also utilities, roads and grading.

Notice to Proceed: 8 December 1959

Original Contract Amount: \$28,587,945.50

Final Contract Cost
(Exclusive of Standardized Equipment): \$49,285,474.00

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Modifications:

To date, 27 have been negotiated for
over \$100,000.00 each. See Tabs 1
through 27, Appendix D, Pages 42
through 72.

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DRILLING OF WATER WELLS, AUXILIARY SITES

Contract Number: DA-25-066-ENG-5683

Date of Contract: 26 June 1959

Contractor: M & G Drilling & Supply
Casper, Wyoming

Scope of Work: Two (2) wells at each of three (3) sites. Each well includes casing, drilling, well screen, pilot hole, test pump, well development and gravel packing.

Notice to Proceed: 20 July 1959

Original Contract Amount: \$374,503.00

Final Contract Cost: \$1,099,151.00

Modifications: Three modifications exceeding \$100,000.00 were made to original contract. See Tabs 28 through 30 Appendix D, Pages 74 through 76.

Claims: No claims exceeding \$100,000.00

CONSTRUCTION

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OF

ACCESS ROAD, SITE E5-A

Contract Number: DA-25-066-ENG-5850
Date of Contract: 29 September 1959
Contractor: Summit Construction Company
Rapid City, South Dakota
Scope of Work: Included excavation, sub-base, base
filter courses and bituminous sur-
face course. Also pipe culverts,
barbed wire fence, guard post, cattle
pass, seeding, etc.
Notice to Proceed: 19 October 1959
Original Contract Amount: \$438,088.00
Final Contract Cost: \$438,999.00
Modifications: No modifications exceeding \$100,000.00
Claims: No claims exceeding \$100,000.00

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RAILROAD ACCESS ROADS

Contract Number: DA-25-066-ENG-6057
Date of Contract: 11 February 1960
Contractor: Chicago-Northwestern Railroad Company
Scope of Work: Alteration to portion of owner's
railroad.
Notice to Proceed: 28 June 1960
Original Contract Amount: \$10,290.00
Final Contract Cost: \$10,290.00
Modifications: No modifications exceeding \$100,000.00
Claims: No claims exceeding \$100,000.00

SUPPORT FACILITY FOR

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WS-107A-2 TECHNICAL FACILITIES

COMPLEX 1A, 1B and 1C

G/M ASSEMBLY AND TECHNICAL SUPPLY BUILDING

Contract Number: DA-25-066-WNF-6134

Date of Contract: 18 March 1960

Contractor: H. Halvorson, Inc.
901 North 6th Street
Grand Forks, North Dakota

Scope of Work: Rehabilitation of the interior of Building 7504, by adding missile checkout and assembly rooms. An Acid Waste Plant was build adjacent to Building 7504, also utilities and installation of Propellant Loading System Piping.

Notice to Proceed: 2 April 1960

Original Contract Amount: \$663,592.00

Final Contract Cost: \$854,725.00

Modifications: No modifications exceeding \$100,000.00

Claims: No claims exceeding \$100,000.00

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CONSTRUCTION

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OF
LIQUID OXYGEN PLANT

Contract Number: DA-25-066-~~ES~~-6294
Date of Contract: 15 June 1960
Contractor: H. Halvorson, Inc.
901 North 6th Street
Grand Forks, North Dakota
Scope of Work: Building 100' x 50', Cryogenic
Storage Vessels, access drives, loading
and parking areas and helium unloading
facilities.
Notice to Proceed: 7 July 1960
Original Contract Amount: \$418,219.00
Final Contract Cost: \$426,393.00
Modifications: No modifications exceeding \$100,000.00
Claims: No claims exceeding \$100,000.00

CONSTRUCTION

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RE-ENTRY VEHICLE FACILITY

BLDG. 7504

Contract Number: DA-25-066-ENG-6675
Date of Contract: 20 December 1960
Contractor: Henry H. Hackett and Sons, Inc.
Rapid City, South Dakota
Notice to Proceed: 13 January 1961
Scope of Work: The work included a 42' x 66' shop area inside hangar with woodstud walls and ceilings covered with gypsum board (12' - 0" and 8' - 6" high). Forced warm air heating with steam coil and ducts and interior electrical work.
Original Contract Amount: \$20,984.00
Final Contract Cost: \$20,984.00
Modifications: No modifications exceeding \$100,000.00
Claims: No claims exceeding \$100,000.00

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PART II -- CONTRACT MODIFICATIONS

As discussed in Part I, modifications to the original contract was the most disturbing and complicated factor of administering the contract. This factor particularly pertained to Contract DA-5919, the construction contract for the actual missile launching complexes. There were twenty-seven (27) modifications of a major nature and in the \$100,000.00 or over category to Contract DA-5919, excluding modifications resulting from claims, and three (3) to Contract DA-5683, that will be considered on the following pages. Many factors entered into final negotiating of settlements, particularly the scope of the modifications and the actual work involved.

On the following pages, the individual major modifications to Contracts DA-5919 and DA-5683 are listed. In Appendix D, Tabs 1 through 30 the individual major modifications to these contracts are discussed for further detailed information.

SETTLED MODIFICATIONS

<u>Tab Nr.</u>	<u>Mod Nr.</u>	<u>Description</u>	<u>Date of Mod</u>	<u>Amount</u>
	3	Revised PLS Cleaning Specs, Concrete Curing Miscellaneous Electrical, Mechanical and Structural	29 Feb 1961	\$780,302.
	15	Revised Flexible Hose Requirements	19 Sept 1960	110,093.
	24	Blast Detector System Changes	22 Aug 1960	163,261.
	25	Blast Valve Changes	15 July 1960	122,967.
	30	Revised Water Treatment	19 Sept 1960	128,264.
	34	Combined the Features of Mods 34, 152, 156, 169, 170, 172, 197, 200, 201, 208 and 221; all were PLS Revisions	19 Jan 1961	1,695,496.
	36	Revisions to Pipe Supports	16 Sept 1960	985,825.
	37	Revised Utility Pipe Support	13 Sept 1960	790,000.
	49	Revised Communications Conduit System	3 Oct 1960	125,000.

<u>Tab Nr.</u>	<u>Mod Nr.</u>	<u>Description</u>	<u>Date of Mod</u>	<u>Amount</u>
50		Additional Set of Power- house Dome Forms	11 May 1960	\$100,700.
54		Revised Structural Ancho- rage Devices	9 Mar 1961	312,770.
62		Cable Tray Changes, Powerhouse Openings and Antenna Silo Door Changes	13 Oct 1960	170,717.
71		PLS Piping Changes	31 Oct 1960	313,034.
73		Acceleration of Backfill	26 Aug 1960	697,399.
80		Revised PLS Pipe Supports ("D" Tunnels)	16 Dec 1960	239,995
82		Revised PLS Pipe Supports (Missile Silo)	24 Jan 1961	1,600,000.
100		Electrical and Plumbing Changes - Antenna Silos	19 Jan 1961	137,465.
122		Changes to Blast Doors	15 Apr 1961	265,363.
128		Validation Testing	2 May 1961	235,905.
147		Pipe Support Changes	10 Apr 1961	340,950.
164		Wells at Site 1C	31 May 1961	335,000.

<u>Tab Nr.</u>	<u>Mod Nr.</u>	<u>Description</u>	<u>Date of Mod</u>	<u>Amount</u>
165		Tunnel Junction No. 12 Pipe Support Changes	2 June 1961	\$ 106,633.
168		Correction of Interferences	2 May 1961	2,390,000.
194		Flexible Hose in Lieu of Expansion Joints	21 July 1961	115,000.
198		Opening Missile Silo Doors	20 July 1961	129,998.
212		Powerhouse Pipe Supports	7 Oct 1961	118,446.
214		Blast Valve Revisions	25 Oct 1961	212,111.

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SETTLED MODIFICATIONS

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<u>TAB NR.</u>	<u>MOD NR.</u>	<u>DESCRIPTION</u>	<u>DATE OF MOD</u>	<u>AMOUNT</u>
	2	Initial award of contract was for only two (2) wells. By Supplemental Agreement under this modification, four (4) more wells were added.	25 June 1959	\$813,736
	5	Wells at 1C were artesian high pressure flow requiring extensive modifications, and automatic well control equipment was added.	10 June 1960	166,499.65
	10	Removing and replacing riser pipe, well screen and related materials damaged in the failure of the riser pipe in Well E2-A.	9 Mar 1961	133,736.93

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PART III -- ASSESSMENT

OF
LIQUIDATED DAMAGES

CEEMCO Circular 61-21, dated 9 February 1961, established the policy of assessment of liquidated damages for delay in the completion of scheduled dates in construction contracts. The Area Engineer was guided by this policy that liquidated damages, where specified, must be assessed against delinquent contractors for work not completed in accordance with the contract; provided, however, that such damages will not be assessed when the work is substantially completed within the required time except for minor deficiencies, or if a time extension is being processed which will obviate the necessity of assessment for the period involved. Advance reminders to the contractors, of dates when assessments must commence, help in obtaining timely completion.

Generally, when a scheduled item of work is complete except for "punch list" items of minor deficiencies, liquidated damages are no longer assessable. What constitutes substantial completion must be determined for each case on its own merits. A minor deficiency is one which will not appreciably or seriously interfere with the use of the facility by the Using Service for the purposes intended, or with the work of a subsequent contractor. The Contracting Officer has no discretion in the assessment of liquidated damages when, after taking into consideration all time extensions granted or due, the contractor is delinquent. The policy is unaffected by the fact that joint

or beneficial occupancy may be taken prior to the contract completion date, or that formal occupancy by the Using Agency may not occur until after contract completion date.

During the course of progress in DA-5919, certain scheduled facility completion dates were not met, and it was determined by the Area Engineer that assessment of liquidated damages had to be made.

The assessment to date on this contract is as follows:

<u>Structure</u>	<u>Complex</u>	<u>Period Damages Assessed</u>	<u>Total Days Assessed</u>	<u>Total Amount Assessed</u>
Equipment Terminal	A	2 June - 28 July	57	\$ 17,100.00
	B	16 May - 15 July	61	18,300.00
	C 1	2 June - 7 August	67	6,700.00
	2	2 June - 18 August	78	7,800.00
	3	2 June - 31 August	91	9,100.00
Control Center	A	16 May - 16 June	32	16,000.00
	C	16 May - 5 July	51	25,500.00
Tunnel Junction No. 10	A	16 May - 14 August	91	9,100.00
	B	2 May - 10 July	70	7,000.00
	C	31 May - 27 September	120	12,000.00
Powerhouse	A	30 July - 3 August	5	2,500.00
	B	31 March - 27 April	28	14,000.00
	C	18 July - 27 October	102	51,000.00

<u>Structure</u>	<u>Complex</u>	<u>Period Damages Assessed</u>	<u>Total Days Assessed</u>	<u>Total Amount Assessed</u>
Portal Silo	A	5 August - 14 October	71	\$ 7,100.00
	B	5 July - 19 August	46	4,600.00.
	C	2 September - 1 December	91	9,100.00
B & B Tunnels	A	16 May - 29 July	75	6,375.00
	B	2 May - 30 June	60	5,100.00
	C	31 May - 4 October	127	10,795.00
Tunnel Junction No. 12	A	9 July - 18 September	67	720.00
	B	25 June - 30 August	72	670.00
	C	24 July - 24 November	124	1,240.00
"A" Tunnels and Elast Locks	A	16 May - 21 October	159	20,670.00
	B	14 June - 30 August	78	10,140.00
	C	5 June - 15 November	164	21,320.00
Tunnel Backfill	C	16 June - 16 July	31	<u>1,550.00</u>
Total				\$ 295,480.00

None of the other contracts involved had any assessment of liquidated damages made as all scheduled dates were met.

PART IV -- PRIME CONTRACTOR

EVALUATION AND RELATIONSHIP
WITH SUBCONTRACTOR

Only the basic general construction contract, Contract DA-5919 involved any major management type responsibilities and effort of sufficient magnitude to be included in this history. In this instance, the construction contractor performed satisfactorily as regards his own direct resources of material and personnel. Better effort could have been expended in directing efforts of some subcontractors. Frequently, a multiplicity of crafts were ordered to perform their work simultaneously within an individual structure where the working area was limited and could not accommodate the number of personnel schedules. Such occurrences were partially the fault of the Government, since they would occur as the result of late contract modifications wherein the working time to complete a certain structural area was reduced, but in most cases were a result of the prime contractor delaying his efforts until the last minute and then attempting to meet schedules.

Management and supervisory personnel were changed in the head office and at the complexes. The last change effected in the contractor's Rapid City office, showed marked improvement over preceding management. The frequent change of site superintendents at Complex 1B, four (4) involved, did not result in any improvement; on the contrary, it had an adverse effect.

It was considered that the prime contractor's Contract DA-5919, general attitude towards safety, was inadequate. The prime contractor

was particularly weak in requiring subcontractors to practice adequate safety measures.

The contractor did not use a developed method of job control such as "Pert" or "Critical Path" to the knowledge of this office. To the knowledge of the Area, the contractor performed his scheduling and delivery of structural and embedded items in a very fine manner. This was not true of mechanical and propellant loading system piping and equipment, though a certain amount of this situation was caused by modifications.

CONTRACTOR - SUBCONTRACTOR WORKING RELATIONSHIP

On all contracts and projects involved, the prime contractor and subcontractor's relationship was satisfactory, though at times on Contract DA-5919, it appeared that there was inadequate planning between the subcontractors. Particularly when several types of craftsmen would be working in a confined area simultaneously and when one subcontractor would proceed with his work without regard to work of other subcontractors in the same area. This caused rework and delays but was not excessive for a complicated project of this nature. In most cases, on all contracts, the prime contractor scheduled and coordinated the subcontractor's work in their respective operations. Management by the prime contractor of the subcontractors on all projects was satisfactory except during the latter stages of Contract DA-5919 when the prime's actions were considered weak.

The subcontractors employed in various minor phases of work frequently concerned themselves only with the portion of the speci-

fications dealing directly with their particular skill. Other portions of the contract specifications contained critical statements

concerning the work of these same subcontractors. In a monetary sense, this situation did not appreciably effect the overall contract amount.

Tab 31 Appendix D, Pages 77 through 81, contains the list of subcontractors and their scope of work associated with the prime contractor on Contracts DA-5919, DA-6294, DA-6134 and DA-5850.

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PART V -- AREA CLAIM ACTIONS

As Contracting Officer's Representative for the District Engineer, Omaha, and later for the Titan I Director, the Area Engineer was responsible for the legal, technical and administrative sufficiencies of the Titan I contracts. This responsibility carried with it the settlement of claims and modifications arising under these contracts. In this respect the Area Engineer did not hesitate to secure legal advice from the office of counsel.

To implement this facet, an office of counsel was established in the Area as soon as possible. The Area Counsel, serving as a member of the Area staff was responsible then to advise the Area Engineer concerning actions that had to be taken in respect to claims, modifications, final decisions, correspondence and any other action which requires legal evaluation.

Although the claims load under any normal military construction program is heavy, the volume of claims that have arisen under this contract is without precedent. Consequently, the bulk of the time of the Area Counsel has been concerned with the administration and settlement of claims.

As of 1 March 1962, a total of 278 claims, involving requested amounts in the excess of \$20,000,000.00 have been filed. Results obtained concerning claims is set forth hereinafter.

PROCEDURES FOR REVIEW AND PROCESSING

The Area Engineer, as the Contracting Officer's Representative, was authorized to negotiate directly with the contractor for the

settlement of all claims received under the contract. Within the limits of his authority, he issues contract modifications to cover all settlements reached by him with the contractor. As to settlements beyond his authority, he prepared and forwarded contract modifications to the Titan I Director for approval and issuance. If a claim could not be settled by negotiation, the Area Engineer issued a final decision, if it was within his authority to do so, and advise the contractor of his right of appeal under the contract. If issuance of a final decision was beyond his authority, the Area Engineer prepared a proposed final decision and findings of fact and forwarded same to the Contracting Officer for review and issuance.

BREAKOUT OF CLAIMS BY COST

During the period of these contracts, many claims arose. The following tabulation sets forth the number and actual value of all claims upon which final action has been taken and develops the value of all modifications issued to date as a result of claims:

CLAIMS SETTLED

<u>No.</u>	<u>Value</u>
81	\$6,148,419.02

CLAIMS DROPPED i.e. PROPOSED MODS

<u>No.</u>
87

CLAIMS WITHDRAWN

<u>No.</u>	<u>Value</u>
64	\$413,543.00

CLAIMS DENIED

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<u>Monetary</u>		<u>Time Requests Only</u>	
<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Days</u>
33	\$12,574,587.98	13	613

Tab 32 through 34 Appendix D, indicates in detail, the tabulations shown above.

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