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# Procure-to-Pay Capability Summary

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**SUBJECT:** Order of Application of Contract Modifications

**BACKGROUND:** While the Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) have long prescribed numbering procedures for contract modifications there were originally no rules for determining the effective date, that is, the order in which contract modifications should be applied to update the previous version of the contract. While offices managing contracts tend to assume that modifications should be applied in numeric order, the requirements in FAR Part 43 clearly establish the importance of the effective date of the modification. This caused various problems with recording modifications in automated systems; it was clear that rules were needed to establish the precedence of effective date on the modifications, and then to resolve conflicts arising from multiple modifications with the same effective date. To improve this problem, rules on how to process modifications with the same effective date were published in 2012 in the DFARS.

**POLICY:** DFARS 204.1671 Order of application for modifications defines the sequence in which modifications to a contract or order should be applied as:

- 1) Modifications will be applied in order of the effective date on the modification;
- 2) In the event of two or more modifications with the same effective date, modifications will be applied in signature date order; and
- 3) In the event of two or more modifications with the same effective date and the same signature date, procuring contracting office modifications will be applied in numeric order, followed by contract administration office modifications in numeric order.

**INFORMATION TECHNOLOGY INFRASTRUCTURE:** Systems that read and record modified contracts must apply these rules when conforming the contract (applying the modifications to the base or previous version of the contract).

**IMPACT:** With these procedures in place, it is possible to modify a contract to document an action taken prior to the most recent modification. Contracting activities should review and distribute this DFARS rule to their workforce and discuss this with program managers for contract writing systems. Include this rule in departmental training to establish a firm understanding of mod numbering rules.

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