



DEPARTMENT OF THE NAVY
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OCT 16 2001

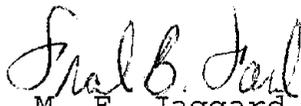
MEMORANDUM FOR DISTRIBUTION

Subj: ALLOWABILITY OF CONTRACTOR COSTS FOR EMPLOYEES WHO
PERFORM ACTIVE MILITARY DUTY IN CONJUNCTION WITH
CURRENT NATIONAL EMERGENCY

Encl: (1) USD (AT&L) memo dated 5 Oct 2001.

Enclosure (1) emphasizes that various types of extended military leave benefits paid by companies to members of the National Guard and Armed Forces Reserves called to active military duty in conjunction with the current national emergency are to be considered as allowable costs pursuant to Federal Acquisition Regulation 31.205-6, "Compensation for Personal Services."

Please ensure this guidance receives the widest possible dissemination within the defense acquisition community.

for 
M. F. Jaggard
Executive Director
Acquisition and Business
Management

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OCT 5 2001

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS
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EXECUTIVE DIRECTOR, LOGISTICS POLICY &
ACQUISITION MANAGEMENT (DLA)

SUBJECT: *Allowability of Contractor Costs for Employees Who Perform Active
Military Duty in Conjunction With the Current National Emergency*

Following the President's recent decision to authorize the call-up of members of the National Guard and Armed Forces Reserves to active military duty in conjunction with the current national emergency, questions have arisen regarding the allowability of various contractor costs for this category of employees. In similar past mobilizations, many companies have chosen to continue certain fringe benefits (e.g., health insurance) for employees who have been called to active military duty and/or to pay these individuals the difference between their civilian and military salaries.

We applaud these voluntary corporate efforts to help mitigate the hardships that the call-up to active military duty places upon Guard and reserve members and their families. Therefore, we wish to clarify that these types of extended military leave benefits are to be considered as allowable costs pursuant to Federal Acquisition Regulation 31.205-6, "Compensation for Personal Services."

Please ensure this guidance receives the widest possible dissemination within the defense acquisition community. My point of contact is Mr. Christopher Werner, (703)695-9764, e-mail: Christopher.Werner@osd.mil.

E. C. Aldridge, Jr.

