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PROCUREMENT NEWS

In Focus: Prime Contract Requirements | Flowdown Clauses| Upcoming Events



Insights from Our CEO

In government contracting, an omitted or outdated flowdown clause can create risk far beyond the subcontract itself. Prime contractors remain accountable for ensuring applicable contractual requirements reach the right subcontractors and that those requirements reflect the current contract and regulatory environment.

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Flowdown Clause Importance

Flowdown clauses are more than contract language but are the compliance connection between the prime contract and every applicable subcontract. The right clauses put subcontractors on notice of their obligations, protect the prime, and keep requirements aligned with FAR, and DFARS.

When flowdowns are missing or applied incorrectly, the results can create significant financial and operational impacts:

- CPSR Findings
- Corrective Actions
- Disallowed Costs
- Payment Withholds
- Subcontract Disputes
- Cybersecurity Gaps
- False Claims Act exposure
- Other contractual remedies

Example #1:
If a required flowdown tied to cost allowability or compliance is omitted, the prime contractor may be unable to pass the contractual obligation or resulting cost exposure to the subcontractor. The prime could then face unreimbursed costs, rework expenses, legal fees, or repayment demands, depending on the contract and circumstances.

Example #2:
If a required cybersecurity clause isn't updated or it is omitted from a subcontract, the prime may have to amend the subcontract, correct internal records, and demonstrate compliance to the reviewer. These efforts can consume staff time, delay performance, increase costs, and potentially contribute to a CPSR or other compliance finding.

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