THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

31 MAY 2002

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND DEVELOPMENT
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
DIRECTORS, DEFENSE AGENCIES
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: Acquisition of Services

Sections 801 through 803 of the National Defense Authorization Act for Fiscal Year 2002, Pub. L. 107-107, establishes a series of requirements impacting the acquisition of services in the Department of Defense. My office is in the process of implementing those various requirements. The attached policy guidance establishes a review structure and process for the acquisition of services in accordance with section 801(d). Other implementation actions will be issued separately.

Through this guidance and other forthcoming guidance, it is my intent to move DoD to a more strategic and integrated approach to the acquisition of services that recognizes the importance of service acquisitions to the Department and the need to treat the acquisition of services as seriously as we do the acquisition of hardware.

Within 60 days of the date of this Memorandum, each of the Military Components will propose a Services Contracts Oversight Process (SCOP) – a process and procedures for their management and oversight of acquisition of all acquisitions of services. This process will be reviewed by an OSD team, led by the Director of Acquisition Resources and Analysis, who will provide a recommendation to me and upon approval I will delegate oversight responsibility to the Component.

My point of contact for this action is Mr. Richard K. Sylvester, Office of the Director, Acquisition Initiatives. Mr. Sylvester may be reached by phone at 703-697-6399 or by e-mail at richard.sylvester@osd.mil.

E. C. Aldridge, Jr.

Attachment
As stated

Review of Department of Defense (DoD) Acquisition of Services

1.0. Purpose

1.1. The purpose of this document is to outline a review policy for the acquisition of services. This policy is intended to ensure service acquisitions provide the highest quality to support and enhance the DoD warfighting capabilities.

1.2. The intent of this policy is to ensure that acquisitions of services are based on clear, performance-based requirements, that required outcomes are identified and measurable, and that the acquisitions are properly planned and administered to achieve the intended results.

1.3. This policy implements Section 801(d) of the National Defense Authorization Act for Fiscal Year 2002, Pub. L. 107-107.

2.0. Definitions

2.1. Service. A requirement to perform an identifiable task, or tasks, rather than to furnish an end item of supply.

2.2. Service Acquisition. The execution of one or multiple contracts or other instruments for committing or obligating funds (e.g., funds transfer, placing orders under existing contracts, etc.) to acquire services that meet a specified requirement. Acquisition begins at the point when agency needs are established and includes all functions directly related to the process of fulfilling agency needs by contract, agreements, funds transfer, etc.

2.3. Decision Authority. The individual with review and approval responsibility as designated in paragraph 5.0, below.

3.0. Applicability

3.1. The procedures stated within this policy are applicable to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, Office of the Inspector General of the Department of Defense, the Defense Agencies, DoD Field Activities, and all other organizational entities within the Department of Defense collectively known as "DoD Components."

3.2. With the issuance of this policy, all DoD acquisition of services, for whatever purpose, are subject to review under this policy, under DoDD 5000.1, or under regulations established to govern the acquisition of supplies, or science and technology projects.

3.3. A service acquisition that is part of a weapon acquisition program or automated information system being reviewed and approved under DoDD 5000.1 and/or DoDI 5000.2 shall be reviewed and approved as part of that existing weapon, or automated information system, management review.

3.4. Decision Authorities shall establish mandatory procedures for assigned service acquisitions. The Decision Authorities shall keep the issuance of any directives, instructions, policy memoranda, or regulations necessary to implement the mandatory procedures contained in this memorandum to a minimum but in no case shall the procedures exceed the requirements contained in this policy memorandum.

3.5. Consistent with statutory requirements, Decision Authorities may tailor procedures based on size and complexity of a specific service acquisition.

3.6. Service acquisitions that are being executed at the time of signature of this policy may be reviewed under this policy on a case-by-case basis as determined by the Decision Authority.

4.0. Acquisition Review and Approval Process.

4.1. Each DoD Component shall establish a review process that provides for consistent review and approval of service acquisitions.

4.2. The review process established as a result of paragraph 4.1 shall provide for the following:

4.2.1. Acquisition strategy. The creation of a documented acquisition strategy in support of each proposed service acquisition, updated when changes occur (see attachment A). The appropriate Decision Authority (see paragraph 5.0, below) will approve each acquisition strategy prior to initiating any action to commit the Government to the strategy.

4.2.2. Metrics. The establishment of metrics for cost, schedule and performance for each proposed service acquisition. The appropriate Decision Authority (see paragraph 5.0, below) will conduct execution reviews to assess progress against the metrics.

4.2.3. Data collection. The reporting of required data regarding each service acquisition, (see attachment B), in an approved data collection system.

4.3. Outcomes. The review process established in paragraph 4.2 above will result in the following outcomes:

4.3.1. All service acquisitions are acquired by business arrangements that are in the best interests of the DoD and are entered into or issued and managed in compliance with applicable statutes, regulations, directives, and other requirements, regardless of

whether the services are acquired by the DoD or by an official of the United States outside the DoD.

4.3.2. Service acquisitions are acquired through a strategic approach--from developing a picture of what the DoD is spending on services, to taking an enterprise-wide approach to procuring services, to developing new ways of doing business.

5.0. Review Responsibility

5.1. Review of the acquisition of services is the responsibility of the USD(AT&L), ASD(C3I) for information technology, the Component Acquisition Executives (CAE), Head of Contracting Activity (HCA) (for those Components without a CAE), or such designated officials in each Service/Agency as identified by the CAE or HCA (for those Components without a CAE). Each of these designated officials can be a Decision Authority, as specified below, and have the authority to exercise approval over the service acquisition.

5.2. USD(AT&L) shall review and approve:

5.2.1. Service acquisitions identified by the USD(AT&L) as special interest, regardless of total planned dollar value (e.g., a conversion from in-house to contract, an A-76 cost comparison, an acquisition with high Congressional interest, an acquisition which consolidates a large number of requirements, etc.).

5.2.2. All acquisitions of services with total planned dollar values equal to or greater than $2 billion (in FY2000 constant dollars) unless delegated to a CAE or HCA (for those Components without a CAE).

5.2.3. If a DoD Component has a process in place that meets the requirements of paragraphs 4.2, as approved by the USD(AT&L) after a review led by Director Acquisition Resources and Analysis, USD(AT&L) may delegate decision authority of all service acquisitions, except those in which the USD(AT&L) has special interest.

5.3. ASD(C3I) will review and approve proposed service acquisitions that are of special interest to the ASD(C3I) or that are submitted under the July 25, 1997 policy memorandum, "Information Technology Investment Management Insight Policy for Acquisition," or its revisions (see attachment C). Effective with the issuance of this Services Acquisition Policy, the dollar thresholds for submitting a proposed IT acquisition to the OASD(C3I), under the 1997 memo, are rescinded and changed to the dollar levels for a Major Automated Information System in DoDI 5000.2.

5.4. CAE or HCA (for those Components without a CAE), or a designated official within the Component headquarters will review and approve:

5.4.1. All service acquisitions with a total planned dollar value equal to or greater than $0.5 billion but less than $2.0 billion or those service acquisitions delegated by the USD(AT&L).

5.4.2. All service acquisitions, less than $.5B, identified by the CAE or HCA (for those Components without a CAE) as special interest, regardless of total planned dollar value.

5.5. DoD Component Designated Officials, at levels below the CAE or HCA (for those Components without a CAE), will review and approve service acquisitions with a total planned dollar value less than $0.5 billion. These designated officials will be identified as part of the approval process.

5.6. The acquisition of services may require the execution of multiple contracts or other instruments for committing or obligating funds (e.g. funds transfers; placing orders under existing contracts), therefore, the review level will be determined using the total planned dollar value (including options, contingencies, funds transfers, provisioning, etc) of the acquisition.

6.0. OSD Review Procedures

6.1. Approval. The CAE or HCA (for those Components without a CAE) will provide the acquisition strategy for approval to the USD(AT&L) or ASD (C3I) (identified in paragraph 5.0, above) upon completion of the strategy and prior to initiating any action to commit the Government to the strategy.

6.1.1. The USD(AT&L) or ASD(C3I) shall provide the CAE or HCA (for those Components without a CAE), within 10 working days of receipt, a determination whether to conduct a review of the acquisition strategy (as identified in paragraph 5.0, above). If a review is conducted, it shall be completed within 30 working days of the determination. If no determination is made within 10 working days, the acquisition may proceed.

6.1.2. For those service acquisitions that require USD(AT&L) approval, (as identified in paragraph 5.2, above) the acquisition strategy will be provided to the USD(AT&L) through the Director, Acquisition Resources and Analysis. Issues will be resolved via multi-functional teams designated by the USD(AT&L).

6.1.3. Review of the acquisition strategy will include an assessment of the information provided in response to paragraph 4.2.1., above.

6.2. Metrics. The CAE or HCA (for those Components without a CAE) will prepare metrics (cost, schedule, and performance) that measure service acquisition outcomes against requirements. The Decision Authority shall approve metrics prior to execution of any business instrument (e.g., contract, MIPR) that initiates the acquisition. The USD(AT&L) or ASD (C3I) will approve those metrics for acquisitions identified in paragraph 5.2 and 5.3, above. The USD(AT&L) or ASD(C3I) shall provide the CAE or

HCA (for those Components without a CAE), within 10 working days of receipt, a determination to conduct a review of the metrics. If a review is conducted, it shall be completed within 30 working days of the determination. If no determination is made within 10 working days, the acquisition may proceed.

6.3. Execution Reviews. Once the contract (s) or other instrument(s) have been executed, the CAE or HCA (for those Components without a CAE) shall annually report program progress toward meeting the metrics established in paragraph 6.2, above, to the USD(AT&L) or ASD(C3I) unless a more frequent reporting schedule is requested by the USD(AT&L) or ASD(C3I). Determination of metrics approval will be included as part of the acquisition strategy process

6.4. Director, Acquisition, Resources and Analysis (AR&A) will:

6.4.1. Maintain an annual list of service acquisitions over $2 billion, and of special interest to the USD(AT&L).

6.4.2. Provide a process for reviewing acquisition strategies for those service acquisitions that require the USD(AT&L) approval.

Attachment A

Acquisition Strategy Content

The acquisition strategy shall address the following:

Requirement. The outcomes to be satisfied and if such outcomes are performance-based (see FAR Subpart 37.6). The measures of success for the service acquisition. How the requirement was previously satisfied (if it is not new).

Risks. The acquisition strategy shall identify current and potential cost, schedule and performance risks, the level of stated risks, and a risk mitigation plan.

Competition. Explain how full and open competition will be provided. If other than full and open competition applies to the acquisition, provide an explanation of why, and a citation of the statutory authority that allows less than full and open competition. Plans for competition for any foreseeable follow-on acquisitions should also be addressed.

Implications. How the new acquisition will support the achievement of small business goals/targets. How the new acquisition will support any other applicable directed programs.

Business Arrangements. How the acquisition will be funded, the type of business arrangements anticipated (e.g., single contract, multiple award task order contract), the duration of each business arrangement (base period and all option periods), cost estimate for the total planned acquisition, and pricing arrangements (e.g., fixed price, cost reimbursement, time and materials, labor hour, or variations, based on guidance in FAR Part 16 and, for commercial services, in FAR Part 12). Task orders executed within a service acquisition reviewed under this policy do not require a separate review by the CAE or HCA (for those components without a CAE) (unless delegated), provided the task order is issued under the approved conditions.

Multi-year Contracts. If the acquisition strategy calls for a multi-year service contract to be entered into under the authority of 10 USC 2306c, the acquisition strategy must address the DoD Component's plans for budgeting for termination liability for multi-year. Also, OMB Circular A-11 requires that multi-year service contracts be scored as operating leases. Therefore, the acquisition strategy must address the budget scorekeeping that will result from use of the proposed contracting strategy.

Leases. The acquisition strategy will include a lease-purchase analysis if required by OMB Circular A-94, Section 13.

Attachment B

Required Data Collection

The data required to be collected includes, at a minimum, the following:

1. The services purchased.

2. The total dollar amount of the purchase.

3. The form of contracting action used to make the purchase.

4. Whether the purchase was made through:

    a. a performance-based contract, performance-based task order, or other performance-based arrangement that contains firm fixed prices for the specific tasks to be performed;
    b. any other performance-based contract, performance-based task order, or performance-based arrangement; or
    c. any contract, task order, or other arrangement that is not performance-based.

5. In the case of a purchase made through an agency other than the Department of Defense, the agency through which the purchase is made.

6. The extent of competition provided in making the purchase and whether there was more than one offer.

7. Whether the purchase was made from:

    a. a small business concern;
    b. a small business concern owned and controlled by socially and economically disadvantaged individuals; or
    c. a small business concern owned and controlled by women.