



OFFICE OF THE UNDER SECRETARY OF DEFENSE

**3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000**

APR 24 2007

**ACQUISITION,
TECHNOLOGY
AND LOGISTICS**

**MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
(ATTN: PROCUREMENT EXECUTIVES)
DIRECTORS OF THE DEFENSE AGENCIES**

SUBJECT: Award and Incentive Fees – Data Collection

Section 814 of the 2007 National Defense Authorization Act (Public Law 109-364) requires the Department of Defense to collect relevant data on award and incentive fees paid to contractors and have mechanisms in place to evaluate such data on a regular basis.

In order to comply with this statutory requirement, each military department and defense agency shall collect the information required by the attached Excel spreadsheet for contracts containing award or performance incentive provisions that:

- (1) Have an estimated contract value (including options) greater than \$50 million at the end of the reporting period; and
- (2) For which an award fee determination or payment of a performance or delivery incentive(s) (as described in FAR 16.4) were made during the semi-annual period for which the data is collected. Incentive contracts which contain only cost incentives shall not be reported.

The semi-annual periods for collecting this data are the six month periods ending June 30 and December 31 of each year. The data collected shall be provided to the Director, Defense Procurement and Acquisition Policy (DPAP) within 90 days after the end of the semi-annual reporting period (e.g., data must be provided to DPAP by September 30 for the semi-annual period ending June 30). The first reporting period shall be for the six month period ending June 30, 2007.

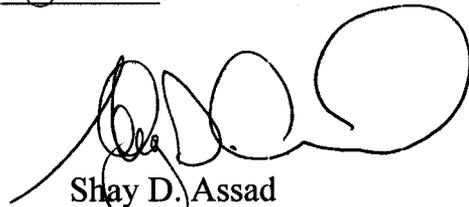
Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts with an incentive structure at the contract level are considered reportable at the contract level. ID/IQ contracts with incentives structured at the order level with an estimated order value exceeding the \$50 million threshold are reportable at the order level. In this later situation, the contracting office issuing the order is responsible for reporting.



Each military department and defense agency shall provide the Director, Defense Procurement and Acquisition Policy (DPAP) with a designated point of contact for collection of this information. In addition, each military department and defense agency shall develop a process to evaluate the data generated by this report to ensure that award and performance incentive fees paid are commensurate with the contractor's performance on the contract.

The Department is working on an automated process for collecting the required data. Upon implementation of this process, a subsequent memorandum will be issued canceling the need to submit the semi-annual information required by this memorandum.

The DFARS and/or its PGI supplement will be revised to reflect the contents of this memorandum. Please direct any questions regarding this memorandum to Mr. Bill Sain, Defense Procurement and Acquisition Policy (Office of Cost, Pricing, and Finance) at 703-602-0293 or bill.sain@osd.mil.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', is written over the printed name and title.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Contract Number	SAMPLE		
Contract Amount	\$50,000,000		(1)
Date of Contract Award	6/1/2006		
Contractor	EXAMPLE		
Award, Delivery, or Performance Incentive Fee Available (2)	\$1,000,000	\$100,000	\$50,000
Actual Fee Earned (3)	\$600,000	\$75,000	\$50,000
% of Fee Earned	60%	75%	100%
Date of Fee Determination	15-Nov-07	15-Dec-07	31-Dec-07
Cost Performance Index (CPI) (4)	100	100	100
Schedule Performance Index (SPI) (4)	98	98	98
A (Award fee) P (Perf Incentive), D (Delivery Incentive)	A	P	D
(1) Report all incentive contracts, with an estimated value exceeding \$50,000,000 at the end of the reporting period.			
(2) Report all award fee, and performance incentive or delivery incentive fees available to be earned during the reporting period. When a contract contains multiple types of fee, each should be reporting separately as shown in the example.			
(3) Report all award fee determinations made or performance or delivery incentives earned during the reporting period.			
(4) Report these two fields only if the contract requires an Earned Value Management (EVM) system. The numbers submitted should represent the cumulative amounts on the contract to date.			