



ACQUISITION
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JUN 25 2008

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA (ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION & LOGISTICS MANAGEMENT),
ASN (RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: Evaluation of effectiveness of Award and Incentive Fees

In my April 24, 2007 memorandum on Award and Incentive Fees – Data Collection, I required the reporting of certain award and incentive fees paid and the development of a process to evaluate the data which ensures that fees paid are commensurate with performance. These requirements were the result of Section 814 of the 2007 National Defense Authorization Act (Public Law 109-364). In May 2008, the Secretary of Defense received a request from two Senators to submit all information required by this public law, including your evaluations. As a result, I am requesting your fee data in Excel, the results of your evaluations, and a statement regarding D&Fs for ACAT 1 CPAF contracts, as follows:

1. Fee Data in Excel

We received the 2007 data reports from Navy, Army, Air Force, Missile Defense Agency, TRICARE, NGA, and SOCOM. However, most of the data was not submitted in the Excel spreadsheet that was attached to my April 2007 memorandum. Accordingly, if you did not submit your prior data reports *electronically in Excel*, please resubmit the 2007 data in Excel by July 3, 2008. Please be sure to submit your subsequent semiannual reports in Excel using the attached Excel spreadsheet.



In addition, we do not have data from other defense agencies than those listed. Accordingly, if you have data that should have been reported, please submit those reports in Excel to my office by July 3, 2008.

2. Fee Evaluations

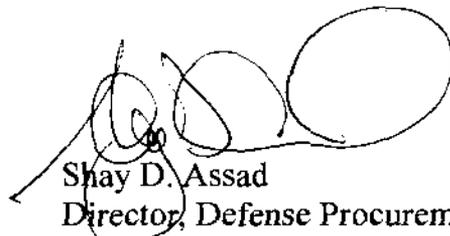
Also, each military department and defense agency shall submit to my office, by July 3, 2008:

- A detailed description of the evaluation process utilized by your organization, and,
- The documentation of your reviews and their results, to ensure that award and performance/delivery incentive fees paid are commensurate with the contractor's performance.

3. D&Fs for ACAT 1 CPAF Contracts

Lastly, my memorandum on Proper Use of Award Fee Contracts and Award Fee Provisions, also dated April 24, 2007, included a requirement for a D&F *whenever objective criteria does not exist and a CPAF contract type is to be used*. This memo requires that such D&Fs related to ACAT 1 contracts be submitted to my office within thirty days of the end of the quarter, beginning with the quarter ending September 30, 2007. To date, no D&Fs have been submitted. Accordingly, along with your evaluations above, please submit a statement to my office by July 3, 2008, indicating that you have no D&Fs for ACAT 1 contracts meeting the above criteria.

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.



Shay D. Assad
Director, Defense Procurement,
Acquisition Policy, and
Strategic Sourcing

Attachment:
As stated

Award Fee and Incentive Fee Report for Period: XXXXX

| No. | Contract Number (Note 1) | Program | Command or Organization | Contract Amount (Note 1) | Date of Award | Contractor | Fee Available (Note 2) | Actual Fee Earned (Note 3) | % Earned | Date Determined | CPI (Note 4) | SPI (Note 4) | Fee Type (Note 5) | Point of Contact | Notes |
|-----|-----------------------------|---------|----------------------------|--------------------------------|------------------|------------|------------------------------|----------------------------------|----------|--------------------|-----------------|-----------------|-------------------------|---------------------|-------|
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Total _____ %

Please only add columns at end of spreadsheet

Notes

- (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 - see Note 5 below
- (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.
- (5) Use the following codes: A (Award fee) P (Perf Incentive), D (Delivery Incentive). For a contract with more than one type, report each type on a separate line or row