



**ACQUISITION
TECHNOLOGY
AND LOGISTICS**

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

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**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
(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, DEFENSE AGENCIES
DIRECTORS, DOD FIELD ACTIVITIES**

SUBJECT: Review Criteria for the Acquisition of Services

DoD is the largest purchasing organization in the world. During Fiscal Year 2008, DoD obligated over \$396 billion to contract for services, supplies and systems. More than 50% of those dollars were spent on acquisitions for services. Given that magnitude, it is essential that we establish clear accountability for management and oversight of services acquisition.

This office reviews and approves all proposed acquisitions for services with a total estimated value greater than \$1 billion as well as service acquisitions that are categorized as "Special Interest." These reviews seek to ensure that the requirements are clear and well defined, the acquisition approach and business strategy are appropriate and that there are mechanisms in place to provide for proper oversight of contractor performance. The recent update to DoDI 5000.02, Enclosure 9 defines which acquisitions are subject to this policy and describes the procedures to submit strategies for the acquisition of services for review and approval. Over the past two years, we have reviewed approximately 15 service acquisitions.

One of the reasons these reviews are vital is that DoD contract management has been an area of concern in the Government Accountability Office (GAO) High-Risk Series since the inception of the series in 1992. Since one of the GAO focus areas under



the High Risk Series for Contract Management is the acquisition of services, our current improvement plan to address this area includes goal-oriented metrics that correspond with the tenets and review criteria listed in the attachments to this memo. Specifically, we will document the extent to which these tenets are demonstrated during the acquisition strategy reviews and Peer Reviews. Adherence to these tenets, likely will result in achievement of desired program results and the metrics will enable us to track progress in implementing a DoD-wide architecture for the acquisition of services. While these tenets are enduring, we will update the list as necessary to shape and adapt the architecture for emerging issues. Attachment 1 contains the tenets and review criteria that will be used in pre-award reviews and Attachment 2 contains the tenets and review criteria that will be used in post-award reviews. The information in Attachment 2 includes the elements required by Section 808 of the National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181.

In reviewing acquisitions for services below the \$1 billion threshold, I expect Senior Officials and Decision Authorities in the Department to implement these basic tenets and other best practices to ensure that the Department acquires services in the most efficient and effective manner. In addition, when conducting peer reviews or management reviews of proposed or on-going service acquisitions below the threshold for OSD review, Military Departments, Defense Agencies and DoD Field Activities should similarly document their own assessments using the enclosed criteria and be prepared to address the results of those assessments in the annual review conducted pursuant to DoDI 5000.02, Enclosure 9.

My POC for policy matters relating to the acquisition of services is Mr. John Tenaglia. He can be reached at (703) 697-8334, or via e-mail at john.tenaglia@osd.mil.



Shay D. Assad
Director, Defense Procurement

Attachments:
As stated

Criteria for the Acquisition of Services (Pre-Award)

	Tenet	Review Criteria:	Primarily Assessed at:
1	Acquisition Strategy: Service acquisitions should have a comprehensive acquisition strategy that reflects program objectives, leverages spend data to arrive at strategic sourcing solutions for the enterprise being supported, incorporates strategic contracting tools, is developed prior to the issuance of a solicitation (amended as applicable), and is adhered to throughout performance.	Detailed written and approved acquisition strategy	Review/Approval of Acquisition Strategy
2	Clearly Defined Requirements: Service acquisitions should use a performance work statement or statement of objectives that clearly defines the services the program seeks to receive.	Requirements clearly stated	Peer Review
3	Period of Performance: Service acquisitions should employ contract periods of performance of an appropriate length, consistent with technological dependence, industry standards, and sufficient time to reclaim program ownership (in cases with an acquisition history of a single provider) such that fair competition can occur. Service contract length should typically be 3-5 years with certain exceptions (e.g. performance-based logistics and energy-savings performance contracts).	Length of contract appropriate	Review/Approval of Acquisition Strategy
4	Appropriate Contract Type: Service acquisitions should employ contract types, CLIN and pricing structures that are appropriate for the acquisition situation. Time and materials contracts are the least preferable contract type and must be justified when used and limited (e.g. no more than 10% of the contract value).	Contract type appropriate	Review/Approval of Acquisition Strategy
5	Socio-Economic Considerations: The Department highly values small business contributions and expects maximum opportunities for small business participation.	Small business opportunities	Review/Approval of Acquisition Strategy
6	Participation Decision Points: Service acquisitions with longer periods of performance, particularly multiple award contracts, should provide for decision points (on and off ramps) to ensure that the Government has a qualified pool of contractors that will provide continuous service throughout the life of the contract.	Decision points (on and off-ramps) for longer term contracts	Review/Approval of Acquisition Strategy
7	Competition: Service acquisition requirements should be articulated in such a way to provide for maximum competition and, for multiple award contracts, throughout the life of the contract with meaningful competition for orders. Evaluation factors are tied to key program requirements.	Approach provides for robust competition	Review/Approval of Acquisition Strategy
8	Objective Incentives: Objective criteria will be utilized, whenever possible, to measure contract performance. Where objective criteria exist, and it is appropriate to also incentivize subjective elements of performance, the most appropriate contract type would be a multiple incentive type contract containing both incentive and award fee criteria.	Award/Incentive Fee set up to reward effective outcomes	Review/Approval of Acquisition Strategy
9	Inherently Governmental Functions: Acquisitions for services must address the extent of the agency's reliance on contractors to perform functions closely associated with inherently governmental functions as required by FAR Subpart 7.5, and DFARS Subpart 207.5.	Required determinations appropriately executed	Peer Review
10	Conflict of Interests: When one contractor will provide oversight for another contractor or direct work to another contractor, the acquisition documentation should address measures to reduce/eliminate potential conflict of interest.	Evaluate financial interest of support contractors, as required	Peer Review
11	Performance Management: Service acquisitions should utilize performance based characteristics to the maximum extent practicable to include measures that are directly tied to program objectives. These measures should include consideration of program cost.	Meaningful performance measures	Peer Review
12	Contract Surveillance: Service acquisitions must have assigned contracting officer representatives (CORs) that use tailored quality assurance surveillance plans to monitor contractor performance.	Appropriate program oversight	Peer Review

Criteria for the Acquisition of Services (Post-Award)

	Tenet	Review Criteria:	Primarily Assessed at:
1	Contractor Performance Assessment: Service acquisitions undergo periodic reviews to ensure the program is on course with respect to cost, schedule and performance requirements; and any necessary adjustments are made.	Program meets or exceeds established cost, schedule and performance criteria	Peer Review
2	Maintaining Competition: Multiple award service acquisitions use contracting mechanisms, including the use of competition, the contract structure and type, the definition of contract requirements, cost or pricing methods, the award and negotiation of task orders, and management and oversight mechanisms.	Robust competition for orders, appropriate contract type, well-defined requirements, appropriate cost/pricing methods	Peer Review
3	Contractor's Subcontract Management: Service acquisitions undergo periodic reviews to monitor the contractor's use, management, and oversight of subcontractors.	Contractor's subcontract management evaluated	Peer Review
4	Contract Surveillance: Service acquisitions undergo periodic reviews to ensure the appropriate staffing of Government contract management and oversight functions to include CORs.	Appropriate Government oversight personnel in place	Peer Review
5	Assessment of Excessive Pass-Through Charges: Service acquisitions undergo periodic review to evaluate the extent of any pass-throughs, and excessive pass-through charges (as defined in section 852 of the John Warner National Defense Authorization Act for Fiscal Year 2007), by the contractor.	Contractor's pass-through charges evaluated	Peer Review
6	Inherently Governmental Functions: For service acquisitions under which one contractor provides oversight for services performed by other contractors, periodic reviews evaluate the extent of the agency's reliance on the contractor to perform acquisition functions closely associated with inherently governmental functions as defined in section 2383(b)(3) of title 10, United States Code.	Evaluate appropriate performance of contractor functions (as required)	Peer Review
7	Conflicts of Interest (Financial): For service acquisitions under which one contractor provides oversight for services performed by other contractors, periodic reviews evaluate the financial interest of any prime contractor performing acquisition functions described in paragraph six in any contract or subcontract with regard to which the contractor provided advice or recommendations to the agency.	Evaluate financial interest of support contractors (as required)	Peer Review
8	Objective Incentives: For contracts with award and/or incentive fee, objective criteria will be utilized, whenever possible, to measure contract performance. Where objective criteria exist, and it is appropriate to also incentivize subjective elements of performance, the most appropriate contract type would be a multiple incentive type contract containing both incentive and award fee criteria.	Award/incentive fees are paid in a manner consistent with DoD policy, or with a corrective action plan in place to address past inconsistencies	Peer Review