

# Department of the Navy



## Contractual Services Acquisition Newsletter

### FY15 Services Health Assessment and Outreach Visits

In accordance with Title 10, Section 2330, the Department of the Navy (DoN) Senior Services Manager led a series of Services Health Assessments and Outreach (SHA&O) visits this past fiscal year. The Contractual Services (CS) Team visited 35 activities across the DoN during the course of 10 separate trips, including visits to commands located in 5 countries. Special focus was given to Heads of Contracting Activities (HCA) and Budget Submitting Offices (BSO) located away from Command Headquarters.

The SSM's objective for the SHA&O was two-fold: 1) Gain understanding of the people, processes and practices involved in CS acquisition; and 2) gain insight into best practices, challenges and opportunities in the 'real-world' of services acquisition across the Echelon II, III and IV levels throughout the Department's 21 BSOs and 10 HCAs.

Emphasis was placed on candid discussions among the requirement owners, and acquisition and contracting personnel at the working level to increase the collective understanding of the current state of the enterprise; these valuable exchanges helped shape several areas of emphasis within the draft SECNAV 5000.ac instruction.

The response to the 2015 SHA&O Program was overwhelmingly positive.

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DoN Services Team at Headquarters, U.S. Forces Japan

October 2015  
Issue 4

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### Product Service Codes (PSC) and Object Class Codes (OCC) Guidance

ASN (RD&A) and ASN (FM&C) released a joint memorandum on July 23, 2105 providing guidance on the proper identification and alignment of Product Service Codes (PSC) and Object Class Codes (OCC) in Procurement and Financial Systems. This guidance is essential in ensuring an accurate, repeatable

process for selecting the PSC/OCC combination exists within the DoN.

The PSC/OCC data is utilized to analyze, forecast and manage the contractual services spend, hence its accuracy and the methodology by which it is uniformly chosen is paramount. This guidance reiterates the availability of tools and other references designed to help the contractual services workforce solidify their PSC/OCC

selection policies and procedures. Lastly, this memorandum addresses the mechanism by which issues related to PSC/OCC selection, if they arise, can be resolved to fully ensure the final determination of the PSC/OCC are accurate, consistent and properly captured in their respective data systems.

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## The Latest on the DODI 5000.ac and the SECNAVINST 5000.ac

### ***What is the SECNAVINST 5000.ac?***

The SECNAVINST 5000.ac issues mandatory guidance for Department of the Navy (DoN) implementation of Title 10 U.S.C. § 2330 and DOD Instruction 5000.ac for the acquisition of contractual services. The SECNAVINST 5000.ac is a stand-alone instruction which replaces and expands upon Chapter 7 of the SECNAVINST 5000.2E. The SECNAVINST 5000.ac will apply to all DoN organizations and to all contractual services acquired from private sector entities by or for the DoN with a total estimated acquisition value in current year dollars at or above the simplified acquisition threshold. It will also apply to DoN acquisitions that are procured as a “supply” but have an alpha-numeric Product Service Code, such as Ship and Aircraft Maintenance, Overhaul and Repair, and/or Performance Based Logistics. In this regard, the intent of this instruction is not to

direct the manner in which these particular unique acquisitions are conducted (i.e. supply vice service), but to provide a foundation for review, validation, and reporting requirements of all services procurements.

### ***How is the SECNAVINST 5000.ac different from the DODI 5000.ac?***

The DODI 5000.ac applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and other organizational entities within the DoD.

The SECNAVINST 5000.ac is tailored specifically for requirements and acquisition of contractual services within the DoN and will apply to all Budget Submitting Offices, Program Executive Offices, Direct Reporting Program Managers, and Heads of Contracting Activities t.

### ***When is the SECNAVINST 5000.ac scheduled to be released?***

The SECNAVINST 5000.ac is currently in the drafting and editing phase. When the instruction receives final review and approval from the ASN (RD&A) staff, it will be released for formal staffing across the DoN. This staffing is planned for early 2016.

### ***What is the SECNAV M-5000.ac, (Guidebook for the SECNAVINST 5000.ac), and when is it scheduled to be released?***

The SECNAV M-5000.ac will provide the procedures to implement the mandatory guidance of the SECNAVINST 5000.ac. The SECNAV M-5000.ac will be released in conjunction with the SECNAVINST 5000.ac.

### ***This month in Navy and Marine Corps history...***

USS Forrestal, First “Super-Carrier” commissioned (10/1/1955)

Operation Enduring Freedom begins (10/7/2001)

The 8th Marines activated at Quantico, VA (10/9/1917)

U.S. Navy Birthday (10/13/1775)

## **Save the Date: FY16 DoN Contractual Services Summit**

The FY16 DoN Contractual Services Summit is tentatively scheduled for the week of 21 March 2016. The venue will be the Naval Postgraduate School in Monterey, CA. While the FY15 Summit attracted over 75 attendees, we’re expecting double that amount at this next forum. As logistical details become available, they will be

posted in the DAPSA Sharepoint site, and will also be shared with the Contractual Services Working Group. In the meantime, the DoN Services Team is developing the agenda and slate of guest speakers. So that we can ensure we are addressing topics of interest that appeal to the Contractual Services community, the DoN Services Team requests that any recommended topics or speakers be submitted to: [seniorservicesmanage.fct@navy.mil](mailto:seniorservicesmanage.fct@navy.mil).

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## FY15 Contractual Services Training Recap

The DoN Services Team had a banner year in training opportunities for the non-Acquisition workforce. The following is a FY15 recap:

**Courses taught:** ACQ 265 and COR 222 (geared toward non-DAWIA)

**Cost:** Nine courses taught @ \$3,100 class for a total of \$27,900

**Number of students:** Nearly 200

**Locations:** DAU campuses at Fort Belvoir and San Diego as well as Monterey CA, and Suitland, MD

**Commands Participating:** DON/AA, MSC, NMIC, NPS, FLDSUPPACT, NAVFAC, NAVSUP, OPNAV, COMNAVAIRPAC, DUSN and COMNAVSURFPAC

### Feedback from the field:

"I learned a lot from both of these courses. It helped me get better organized and identified areas to focus on for improvement."

"Enjoyed that the course was interactive and that the instructors were thoroughly knowledgeable on the content and were able to provide relevant solutions to factual scenarios."

"Great course and excellent instructor!"

## FY16 Training Initiatives

As we enter FY16, the DoN Services Team will be leaning forward with three major training initiatives:

1. Developing Certification Training: For CSMs and other CS positions
2. Continuing with Phase I Training: Will conduct 16 sessions of COR 222 and ACQ
3. Piloting Contractor-developed CS training: Advanced COR course

Course quotas and additional information available at 703-693-6149.

## New Earned Value Management System (EVMS) Threshold

Effective immediately, the EVMS compliance review threshold is raised from \$50 million to \$100 million at DFARS 234.201(1)(ii), DFARS provision 252.234-7001, and DFARS clause 252.234-7002. This \$100 million threshold applies to cost or incentive contracts and subcontracts for which the contractor is required to have an EVMS that has been determined by the Cognizant Federal Agency to be in compliance with the guidelines in the Electronic Industries Alliance Standard 748, Earned Value

Management Systems (EIA-748). This class deviation is effective until it is incorporated in the DFARS or is otherwise rescinded. Further details are provided at:

<http://www.secnav.navy.mil/rda/Pages/Policy-Memos.aspx>.

## EVMS Requirement for Cost/Level of Effort Contracts

Effective 7 October 2015, the EVM requirement for cost and/or incentive type Level of Effort (LOE) contracts has been waived for cost and/or incentive type LOE contracts (and LOE contract line items in

## Acquisition in the News

2015 Performance of the Defense Acquisition System Annual Report: <http://www.acq.osd.mil/fo/docs/Performance-of-Defense-Acquisition-System-2015.pdf>

FLC Bahrain Implements Off-Ship Bill Pay: [http://www.navy.mil/submit/display.asp?story\\_id=91223](http://www.navy.mil/submit/display.asp?story_id=91223)

OSD Compendium of Annual Program Manager Assessments for 2015: <http://www.acq.osd.mil/fo/docs/Compendium-PM-Assessments-2015.pdf>



Seabees, assigned to Naval Mobile Construction Battalion (NMCB) 1, place concrete at a project at Naval Base Guam.

mixed contracts) valued at \$20 million or greater. Further details are provided at:

<http://www.secnav.navy.mil/rda/Pages/Policy-Memos.aspx>

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## Services Requirements Review Board (SRRB)

The SRRB provides a standardized process to identify, validate, assess, plan and monitor services acquisitions across the Department of the Navy (DoN). Highlights of this process include:

**WHAT:** Services acquisition is broader than contracting for services. It begins with developing and validating the requirement.

**WHO:** Requiring Activities, BSOs, PEOs and DRPMs are required to review and validate each requirement for services.

**WHY:** Identifying unneeded or low priority requirements that can be reduced or eliminated, with the savings transferred to higher priority objectives.

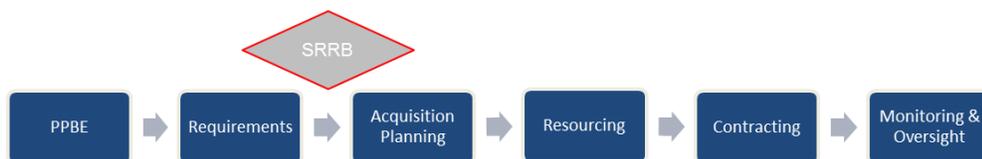
**HOW:** Requirements validation shall be conducted via a Service Requirements Review Board (SRRB) process includes:

- Validation of the mission need;
- Requirement criticality/prioritization;
- Workforce analysis that justifies the use and cost effectiveness of contractual services.
- Capture of key data (i.e. the “pedigree”) about the requirement and maintaining it in the Services Record

**WHERE:** The SRRB process and details about the Services Record will be included in the SECNAVINST 5000.ac, which describes the management and oversight of contractual services within the DON. The latest draft SECNAVINST 5000.ac is available in the Services Acquisition SharePoint site:

<https://navy.deps.mil/peois/sites/dasnap/Services%20Acquisition/default.aspx>

**WHEN:**



U.S. Marines transit the Pinheiro Da Cruz beach during a combined U.S.-Portuguese amphibious assault exercise

## DoN Office of Small Business Programs (OSBP) attends the 2015 DoD Small Business Innovation Training Week

This collaborative training event was designed to strengthen DoD's commitment to the Small Business community by arming the

Acquisition Workforce with flexible solutions, innovative tools, and cutting edge acquisition strategies. Held in Phoenix, AZ, this event focused on an overarching theme of "Collaborating, Educating and Innovating" by providing informative training opportunities to help improve Small Business practices at all levels within the DoD Acquisition Community. Two Navy Small Business Professionals were recognized for their outstanding performance. Alyse Bullock, Assistant Director, SECNAV OSBP received a certificate of recognition for her work leading to the development of the Navy's Small Business Accessible Market Metrics. Carol Decker, Associate Director, NAVSUP OSBP was recognized for her outstanding

efforts leading to the development and implementation of the Navy's Electronic Small Business Coordination Record. BRAVO ZULU to both of these outstanding Small Business Professionals!

## Past Editions of the Contractual Services Newsletter

Note that this is the fourth edition of the Contractual Services Newsletter. If you missed the earlier three editions, rest assured you can easily access them at the DAPSA Sharepoint site. For additional information, contact: [seniorservicesmanage.fct@navy.mil](mailto:seniorservicesmanage.fct@navy.mil).

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## USMC Issues Service Requirements Review Board (SRRB) MarAdmin

MARADMIN 441/15 "Marine Corps Contractual Services Guidance for Fiscal Year 2016" was released 14 September 2015. This guidance reflects a service approach to SRRB implementation and establishes the appropriate command level multidisciplinary review, approval authority, business rules, and reporting requirements necessary to achieve the intended rigor, oversight and compliance the 17 Oct 2014 Joint ASN Memo requires. As tasked by the Assistant Commandant of the Marine Corps

(ACMC), HQMC Programs and Resources (P&R), Installation and Logistics (I&L), and the Marine Corps Systems Command (MCSC) collaborated and delivered an SRRB pilot that was tested by MCSC and Marine Corps Installations-West throughout FY15. This pilot validated the effectiveness of a formalized service requirements review process; this process, together with other lessons learned from the pilot, were incorporated into the MARADMIN. Highlights of FY15 SRRB pilot are listed below:

1. A reduction in the number of required Contracting Officer Representatives (CORs) resulting in more efficient use of civilian resources.

2. Savings of nearly \$1.5M per FY by ensuring a consistent and appropriate man-year rate is paid for administrative support services.

3. Strategic consolidation of contracting efforts, reducing the number of contract actions and subsequent contract management activities.

SRRB results, as included in major subordinate command's annual budget phasing plans, were due to HQMC by 1 Oct. Thus far, feedback has been positive.

### Useful Websites:

#### PSC Manual:

<http://www.acquisition.gov/psc%20manual%20-%20final%20-%202011%20august%202011.pdf>

#### PSC Mapping to OSD

##### Portfolios:

[http://www.acq.osd.mil/dpap/ss/docs/fy11-dpap-portfolio\\_group\\_lookup-20120716.xlsx](http://www.acq.osd.mil/dpap/ss/docs/fy11-dpap-portfolio_group_lookup-20120716.xlsx)

#### PSC Data Dictionary:

<https://www.acquisition.gov/RevisedProductServiceCodes-list.xlsx>

#### DPAP PSC Selection Tool:

<https://psctool.us/>

#### Link to OCC Question Tool:

<https://fmbweb1.nmci.navy.mil/cfdocs/mkt/mkt.cfm>

### Labor Law Training

The last edition of the newsletter announced Department of Labor Prevailing Wage Seminars; unfortunately, shortly after newsletter publication, those seminars were cancelled. While they have not been rescheduled, there remains plenty of good information related to Services Contract Labor Standards on the web. In particular, the Prevailing Wage Resource book information located at <http://www.dol.gov/whd/govcontracts/sca.htm> is a great place to begin to develop an understanding of services contract labor standards.

As an acquisition strategy is being developed on services contracts, an understanding of contract labor is critical as it is a significant cost driver. Services contracts are

different in that even a "fixed priced" services contract is not fixed in the option years. Services contract labor standards require that wage determinations be updated at specific intervals (FAR 22.1007), and when they are updated; contractors may request a price adjustment under FAR contract clause 52.222-43. Historically, the fringe benefit rate of standard wage determinations increases yearly even if wages do not. There has recently been an increase of \$0.25/hour in the fringe benefit rate (\$4.02 to \$4.27) effective in the next contract or contract option (extension) exercise. Collective Bargaining Agreements (CBA's) wages and fringe benefits will increase each year; those amounts are also adjustable under contract clause 52.222-43.

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## Electronic Contractor Manpower Reporting Application (eCMRA) Update

Defense Federal Acquisition Regulation Supplement (DFARS) Case 2012-D051, Service Contract Reporting was initiated to implement the contractual reporting requirements that originate from Title 10, United States Code (U.S.C.), section 2330a titled Procurement of Services: Tracking of Purchases. Section 2330a requires the Secretary of Defense to submit to Congress, no later than June 30th of each fiscal year, an annual inventory of service contracts performed during the preceding fiscal year. This collection requirement is necessary for the Department of Defense (DoD) to be able to meet this Congressional reporting requirement.

The rule establishes the contractual requirement for contractors to report manpower data for prime contracts and subcontracts for each purchase of services **in excess of the simplified acquisition threshold** on an annual basis or at the end of contract performance, whichever comes first.

*\*\*Note: This manpower reporting requirement is not new; it is currently satisfied by including the reporting requirement in contract statements of work and performance work statements (see NMCARS 5237.102-90). The DFARS Case modifies/improves the process by establishing a standard contract clause to address the reporting requirement.*

All data collection will be accomplished electronically via a secure online DoD software application, eCMRA, which automates DoD's service contract management and reporting process. The ECMRA database is populated by entries made by the contracting officer's representative (COR) or contracting officer and contractor personnel, which are needed for DoD to compile the inventory of services contracts. eCMRA currently utilizes separate databases that are adapted for each military service and the DoD components. The databases may be accessed at:

<http://www.ecmra.mil/>

While the requirement to submit manpower data is not new, the

establishment of the DFARS rule provides the following benefits:

- Establishes a standard contract clause for the reporting requirement
- Raises the reporting threshold to above the Simplified Acquisition Threshold (SAT)
- Ensures that the requirement is included in applicable contracts as triggered by the contract writing system clause prescriptions
- Enables automated tracking of the inclusion of the clause in applicable contracts to ensure statutory compliance

The new DFARS clause is expected to be issued early in calendar year 2016. Draft language is available at the link below:

<https://www.federalregister.gov/articles/2014/06/05/2014-12810/defense-federal-acquisition-regulation-supplement-service-contract-reporting-dfars-case-2012-d051>



U.S. Navy Flight Demonstration Squadron, the Blue Angels, performs at the Jacksonville Air Show.



The guided-missile destroyer USS Preble (DDG 88) prepares to moor at Pearl Harbor following an independent deployment to the Western Pacific.

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## **FY15 Services Health Assessment and Outreach Visits (from page 1)**

Many commands, while at first apprehensive, noted that following the discussions they gained insight into the ‘big picture’ and greater understanding with regards to what senior leadership was trying to achieve in Services Acquisition. Moreover, many personnel had not seen the numerous Services related policy memos and initiatives from SECNAV and ASN (RD&A/FM&C), nor were they aware of the Vice Chief of Naval Operation (VCNO) and/or Assistant Commandant of the Marine Corp (ACMC) individual messages on SSRB initiatives; as such, they were deeply appreciative of our efforts to bring those key documents directly to them.

Contracting Officers were overwhelmingly supportive of clearly identifying the roles and responsibilities of the requiring activities and the validation of

requirements through the SRRB process, as this will yield a complete and vetted requirements package into the contracting process. Of particular note, numerous commands identified a lack of understanding and communication at the senior leadership level with regard to initiatives and changes in Services Acquisition, and stated that “your Senior Leadership needs to communicate to our Senior Leadership the same messages you shared with us.” Understanding and acceptance of these initiatives and policies by Senior Leaders is imperative in order to foster a cooperative role for their Command in support of Services Acquisition.

## **Product Service Codes (PSC) and Object Class Codes (OCC) Guidance (from page 1)**

A copy of this guidance can be downloaded from the DASN AP SharePoint by clicking [here](#) or using the following link:

<https://navy.deps.mil/peois/sites/dasnap/Services%20Acquisition/Document%20Repository/ASN%2ORDA%20and%20ASN%20FM%20Joint%20Correspondence/Contractual%20Services%20second%20joint%20memo.pdf>

## **Labor Law Training (from page 3)**

While we do not control the increases in contract costs that come about as a result of application of Services Contract Labor Standards those costs can be planned for. Historic information tends to be repeated in out (option) year’s costs such as increases in fringe benefit rates (typically \$0.15 to \$0.25/ hour) and wages under CBA’s (increases of 2%-4%). Acquisition strategy is the place to begin planning for services contract labor costs and consideration of application of Services Contract Labor Standards application to those contracts as it will drive contract costs up in the near and long term.



Services stakeholders tour USS Shiloh during Outreach visit to Yokosuka, Japan.

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