

## ANNEX A

### **DEF Pilot Program Study Standard Operating Procedures** ***Program Manager steps for executing AT&L DEF Pilot Program studies***

1. Once OUSD(AT&L)/IC has selected a system to be a DEF Pilot Program designated system (see DEF Policy Implementation Guidelines, Figure 1), the program for that system is eligible to request AT&L funding, with industry matching, for a DEF Study.
  - The first step towards requesting AT&L DEF Pilot Program funding for a DEF Study is to jointly develop a detailed DEF Study scope, deliverables, and total cost estimate by working with the prime contractor(s), and obtain prime contractor concurrence to fund its cost share. If there are multiple prime contractors, then the PM should work with each of the prime contractors to develop comparable DEF Study scopes, deliverables and cost estimates, considering rules for competitive contracting.
  - Once a detailed scope, deliverables, and cost estimate has been jointly developed, the next step is to obtain prime contractor agreement to fund “half” of the cost of the study, or such other portion of such cost (more or less than half) as the Secretary considers appropriate upon showing of good cause.
  - If applicable, follow the procedures and “good cause” criteria found in subparagraph 5.1.2 of the DEF Policy Implementation Guidelines and Annex D if the PM or industry seeks AT&L approval for an adjusted industry cost sharing portion (more or less than half) by showing “good cause”.
2. Request AT&L DEF Pilot Program funding from OUSD(AT&L)/IC via the DoD Component DEF POC to receive funding and commence a DEF Pilot Study.
  - After obtaining prime contractor agreement on the amount it is willing to fund and (if applicable) USD(AT&L) approval of any proposed adjusted industry cost-share different than 50/50, the PM should contact their DoD Component DEF POC (see Annex C for list of Office of the Secretary of Defense (OSD) and DoD Component DEF POCs) to submit a detailed request for the amount of AT&L DEF Pilot Program funding required to conduct the proposed DEF Study.
  - The DoD Component DEF POC will inform OUSD(AT&L)/IC when it receives a request to commence a DEF Pilot Program Study.
  - OUSD(AT&L)/IC will review and prioritize all requests for DEF Pilot Program funding based on DoD Component recommendations, projected return on investment, readiness to commence the study, and availability of funding.
3. Submit a DEF Study Statement of Work (SOW).
  - If a program is chosen by OUSD(AT&L)/IC to receive available DEF Pilot Program funding, OUSD(AT&L)/IC will notify the PM via the program’s DoD Component DEF POC.

- **Return on Investment:** The estimated return on DEF Pilot Program investment by the government/contractor that would be achieved from future foreign partnership and/or sales arrangements of the system.
- **Other Factors:** Industrial base considerations, total cost of the system's USG contract, intellectual property and associated license fee costs, and any other relevant factors offered for consideration by the PM and/or contractor representatives.
- **Programs must gain contractor mutual agreement to fund the "industry share" of a DEF Pilot Program contractual effort between industry and the DoD.** DoD PMs cannot compel a DoD contractor to fund the "industry share" of a DEF Pilot Program unless DEF is a required Contract Line Item Number in a contract or is included in the evaluation criteria of a source selection. If an industry partner does not agree to participate in a proposed DEF Pilot Program effort prior to either an RFP or contract modification, then the program may pursue DEF using secondary funding, if legally available.
- **Companies may not claim previous or ongoing Independent Research and Development (IR&D) investments as part of their cost share under a DEF Pilot Program contractual arrangement.** The Federal Acquisition Regulation defines cost-sharing provisions as those that apply to direct costs that are required in the performance of the contract. IR&D costs are indirect costs that are spread out over several contracts (rather than direct costs applicable to one cost contract). Therefore, IR&D costs cannot be used to fund the contractor's portion of cost sharing under the DEF Pilot Program. Companies may, however, structure their IR&D investments – particularly in any horizontal program protection IR&D efforts across multiple systems they could pursue to benefit all of their systems – to reduce the total cost of a DEF Pilot Program cost-sharing effort under a specific contractual arrangement.

**5.2. DEF Pilot Program Contracting Approaches.** PMs should work with their respective DoD Component DEF POCs (see Annex C) to obtain contracting assistance to incorporate DEF into their Requests for Proposals or contracts, if necessary. DoD Component DEF POCs may also seek assistance from the OUSD (AT&L)/Defense Procurement and Acquisition Policy. An example of a generic DEF Pilot Program Feasibility Study Statement of Work can be found in Annex B.

#### **Annexes**

- A. DEF Pilot Program Standard Operating Procedures
- B. DEF Generic DEF Pilot Program Feasibility Study Statement of Work Example
- C. DEF Points of Contact (OUSD(AT&L), Defense Agencies, DoD Components)
- D. DEF Pilot Program Procedures for Requesting an Adjusted Industry Cost-Sharing Portion from OUSD(AT&L)
- E. AT&L DEF Military Interdepartmental Purchase Request Statement of Work template
- F. AT&L DEF Pilot Program Spend Plan/Monthly Expenditure Report template

- In order to receive AT&L DEF Pilot Program funding, the PM must first submit a DEF Study SOW to OUSD(AT&L)/IC, via their DoD Component DEF POC, for approval.
- The SOW should describe in detail the scope of the study and the period of performance, list the technical and financial POC, state whether the funding will be direct cite or reimbursable, and state the amount of funding requested (see Annex E for an AT&L DEF Military Interdepartmental Purchase Request (MIPR) SOW template).
- Ensure that the SOW is marked and handled with the appropriate security classification.

#### 4. Process MIPR funding documents.

- Once OUSD(AT&L)/IC confirms that the study meets the objectives of the DEF Pilot Program and that the MIPR SOW contains all the required information, OUSD(AT&L)/IC will submit the funding documents required to commit DEF Pilot Program AT&L funds to the program.
- Upon approval of the funding documents, OUSD(AT&L)/IC will forward the MIPR document (DD Form 448) to the program's Financial POC (from the SOW) to "Commit" the funds for the study.
- The PM will signify "Acceptance" of the funding by forwarding a signed DD Form 448-2 to OUSD(AT&L)/IC.
- Once the DEF Study contract has been signed, the PM will forward a copy to OUSD(AT&L)/IC to confirm that the funds have been obligated.

#### 5. Submit a Study Timeline.

- Once AT&L DEF Pilot Program funding has been received and obligated, the PM will provide a Study Timeline to OUSD(AT&L)/IC via their DoD Component DEF POC showing the projected dates of the study's key events (Kickoff meeting, Interim Progress Review (IPR), Final briefing, and Final report) throughout the study's period of performance.

#### 6. Submit a projected Study Spend Plan.

- Prior to commencing the DEF Study, the PM will submit a projected DEF Study Spend Plan for the USG portion of the DEF Study costs to OUSD(AT&L)/IC via their DoD Component DEF POC covering projected monthly expenditures through the DEF Study/activity period of performance (see Annex D for the DEF Spend Plan /Monthly Expenditure report template).
- Where applicable, submit multi-year spend plans when the program anticipates follow-on DEF studies for further analysis or design and development (Phase 1B or 2).

#### 7. Kickoff the DEF study with the program contractor.

- Provide clear guidance on DEF Study objectives, deliverables, and AT&L requirements.
- Disseminate the timeline.

## **8. Submit Monthly Expenditure Reports.**

- Starting the 15<sup>th</sup> calendar day of the second month of the DEF Study, the PM will submit monthly expenditure reports to OUSD(AT&L)/IC showing AT&L DEF Pilot Program funding expenditures for the previous month (see Annex D for the DEF Spend Plan/Monthly Expenditure Report template).
- These expenditure reports will help ensure that the DEF Pilot Program funds are being expended in accordance with AT&L guidelines that call for all RDT&E funds to be 100 percent committed in the first fiscal year and 90 percent expended (disbursed) by the end of the second fiscal year. (e.g., FY 2015 DEF funding for a study would need to be 90 percent expended by the end of FY 2016).
- Should circumstances arise beyond the control of the PM that delays the start of a DEF study/activity beyond that projected in the Statement of Work (e.g., late contract award, contract protest), the program may request a no-cost extension of its Period of Performance.

## **9. Provide IPR Briefings to OSD and DoD Component stakeholders.**

- DEF Pilot Program studies are required to conduct at least two IPRs for 12-month studies.
- At the IPR, the PM and the prime contractor will brief AT&L, defense agency, and DoD Component stakeholders on the work performed to date, accomplishments, challenges, and next steps.
- Ensure all briefings are handled and conducted at the appropriate security classification level.
- All IPRs will be conducted in the Washington, DC area unless authorized by OUSD(AT&L)/IC to hold the IPRs at a different location. This will ensure that the maximum number of stakeholders have the opportunity to provide guidance and feedback to the study.

## **10. Final Briefing and Closeout Lessons Learned Report requirements.**

- At the completion of the DEF Study, the PM and prime contractor will schedule a Final Briefing and submit a Closeout Lessons Learned Report with the study's findings, lessons learned/best practices, and next steps to AT&L, defense agency, and DoD Component stakeholders.
- The Final Briefing is also an opportunity for the PM to present its case to OUSD(AT&L)/IC for any follow-on DEF studies to conduct further analysis or design and development of the program's defense exportability features.
- The Closeout Lessons Learned Report may serve as the basis for the program's input to AT&L's DEF Pilot Program Report to Congress. Given that the primary objective of the DEF Pilot Program is to demonstrate that program protection costs can be reduced and U.S. products made available for foreign sales sooner, the lessons learned report should quantify and qualify the degree to which the PM anticipates meeting these objectives. If the program anticipates conducting a follow-on DEF study or design activity, then the lessons learned report should also include next steps and a way ahead.

- **Ensure appropriate security classification of all briefings and reports.**

**11. Determine whether a follow-on study is desired or required.**

- **At the completion of the DEF Study, the PM should determine whether a follow-on DEF Study for additional analysis or design and development activities is desired (Phase 1B or 2).**
- **If a follow-on DEF Study/activity is desired, the PM should inform their DoD Component DEF POC as early as possible in order to be considered by OUSD(AT&L)/IC when it prioritizes the list of DEF studies for the next fiscal year.**

**12. Provide a program update for OUSD(AT&L)'s annual DEF Pilot Program Report to Congress.**

- **By October 31<sup>st</sup> of each year, PMs for DEF Pilot Program designated systems will submit to OUSD(AT&L)/IC via their DoD Component DEF POC a brief description of activities undertaken during the previous fiscal year to be incorporated into the annual DEF Pilot Program Report to Congress's Classified Appendix, which is submitted by OUSD(AT&L) to Congress by December 31<sup>st</sup> of each year.**
- **Each PM for a DEF Pilot Program designated system will include whether DEF funding was received and a DEF study was conducted that year, accomplishments, analysis and actions taken, results, and next steps.**
- **Ensure that all DEF Report to Congress program updates are marked and handled with the appropriate security classification.**

**13. Request Removal from DEF Pilot Program**

- **When a program has completed all of its DEF Pilot Program funded DEF feasibility studies or DEF design activities, the PM may request that the program be removed from the DEF Pilot Program.**
- **The first step is to forward a copy of the program's Lessons Learned Report from its DEF Pilot Program activities, along with justification, to their CAE requesting removal from the DEF Pilot Program.**
- **The CAE will follow the procedures for requesting removal from the DEF Pilot Program found in paragraph 4.3 of the DEF Policy Implementation Guidelines.**