

## Supplemental Guidance for Review and Submission of Industry Requests for an Adjusted DEF Cost-Sharing Portion

1. Industry requests for an adjusted DEF Pilot Program cost-sharing portion for “good cause” will be in accordance with the USD(AT&L) DEF Pilot Program Policy Implementation Memorandum and Guidelines, dated April 9, 2015, Annex D, which describes the procedures DoD Components should follow. Per Annex D, the PEO/PM will review and analyze any requests for an adjusted industry cost-sharing portion before forwarding their assessment and recommendations through their Component Acquisition Executive (CAE) to the Director, OUSD (AT&L)/IC, who will review and forward recommendations to the USD (AT&L) for decision. The following supplemental guidance amplifies the required documentation and review procedures found in Annex D and should be followed in seeking USD (AT&L) approval of an adjusted industry cost-sharing portion.
  
2. The sponsoring DoD Component PEO/PM shall have their technical, contracting, and legal experts review the industry request and provide their analyses of whether the industry request meets the DEF Guidelines’ criteria for adjusting the industry DEF cost-share from 50% to a different cost share. The PEO will submit a signed memorandum with the required supporting documentation described below to their CAE. The CAE will review the package to ensure the request and PEO/PM analyses meet the Annex D criteria. The CAE’s technical, contracting, and legal experts shall also review the industry request and provide their analyses to the CAE. The CAE shall submit a memorandum with the CAE’s endorsement (positive or negative), recommendation(s) and supporting documentation to the Director, AT&L/International Cooperation.
  
3. **Step One:** The required justification documentation submitted to AT&L/IC should include (at a minimum):
  - a. Draft DEF statement of work for the proposed DEF effort, which includes the contractor’s rough order of magnitude (ROM) estimate for the work.
  - b. Government cost estimate for the program and the DEF effort (including the contractor’s funding if the cost share remains at 50% and if the cost share is adjusted based upon the contractor’s request).
  - c. The date the contract was/will be signed (the USD(AT&L) guidance is applicable to DEF Pilot Program cost-sharing contracts signed after the FY15 NDAA was enacted in December 2014).
  - d. Whether DEF is a required contract line item number in a contract or is/was included in the evaluation criteria of a source selection.
  - e. Contractor “good cause” justification explaining why their request for an adjusted cost sharing portion other than 50% is justified and why the cost-sharing portion

(40%, 30%, etc.) is “appropriate” per the criteria in Annex D (i.e. risk, competition, ROI, industrial base considerations, intellectual property, and any other additional relevant factors).

- f. Detailed PEO/PM technical, contractual, and legal analyses of whether the industry request provides a “good cause” justification that meets the Annex D criteria to adjust industry cost-share from 50%, and whether the adjusted cost-share (40%, 30%, 20%, etc.) is “appropriate”. Also included in the PEO/PM’s analyses will be the government’s analysis of the contractor cost estimate for the DEF effort.
  - g. DoD CAE review and analysis of the industry request and the PEO/PM endorsement based on the Annex D criteria for “good cause”, and the CAE’s formal recommendation (positive or negative) with accompanying rationale for that recommendation. This analysis will include any expected impacts if the request is granted or denied.
4. **Step Two:** The Director, OUSD (AT&L)/IC, will:
- a. Review the justification documentation provided by the CAE.
  - b. Consult with subject matter experts in OASD (A), OASD (R&E), Defense Pricing, DPAP, OGC, the DoD CAE staff, and any other DoD stakeholders, as appropriate.
  - c. Coordinate draft recommendations with the:
    - Office of the Assistant Secretary of Defense for Acquisition
    - Office of the Assistant Secretary of Defense for Research and Engineering
    - OUSD (AT&L)/Office of the Director, Defense Pricing
    - OUSD (AT&L)/Office of the Director, Defense Procurement and Acquisition Policy
    - OSD Office of General Counsel.
5. **Step Three:** The Director, OUSD (AT&L)/IC, will forward the request with its review and analysis, final coordinated comments and recommendations, and the required supporting documentation to the USD (AT&L) for final decision. The Director will include a recommendation in this package.
6. **Step Four:** The OUSD (AT&L)/IC will document the USD (AT&L)’s decisions and notify the PEO/PM via a formal memorandum to the sponsoring DoD Component’s CAE. The PEO/PM shall then take action to ensure that the program and contract documents are consistent with the USD (AT&L) decision.