

# DFARS Procedures, Guidance, and Information

## PGI 203—Improper Business Practices and Personal Conflicts of Interest

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*(Revised September 9, 2013)*

### PGI 203.1--SAFEGUARDS

#### PGI 203.170 Business practices.

Submit the certification required by DFARS 203.170(a)—

- (1) By December 30, 2008, and every 2 years thereafter;
- (2) To the following address:

Director, Defense Procurement  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060;

- (3) In the following format:

#### BIENNIAL CERTIFICATION

As required by DFARS 203.170(a), I certify that no senior leader in \_\_\_\_\_ (organization name) has performed multiple roles in a source selection for a major weapon system or major service acquisition during Fiscal Year(s) \_\_\_\_\_ (period covered).

Printed Name:

Signature \_\_\_\_\_

Date \_\_\_\_\_

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### **PGI 203.8— LIMITATIONS ON THE PAYMENT OF FUNDS TO INFLUENCE FEDERAL TRANSACTIONS**

(a) Report violations or potential violations of the Lobbying Disclosure Act (31 U.S.C. 1352) through agency channels to the Deputy Director, Defense Procurement and Acquisition Policy (Contracting Policy and International Contracting), [osd.pentagon.ousd-atl.mbx.cpic@mail.mil](mailto:osd.pentagon.ousd-atl.mbx.cpic@mail.mil).

(b) Click [here](#) to view OUSD(AT&L) memorandum dated March 5, 2012, Department of Defense Inspector General (DODIG) Report 2012-030, Contractor Compliance Varies with Classification of Lobbying Costs and Reporting of Lobbying Activities (Project No. D2010-DOOOCF-0145.000).

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## PGI 204—Administrative Matters

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*(Revised September 9, 2013)*

### PGI 204.70—UNIFORM PROCUREMENT INSTRUMENT IDENTIFICATION NUMBERS

#### PGI 204.7001 Policy.

(c)(i) Continued contracts are issued solely for administrative reasons and do not constitute a new procurement. When issuing a continued contract, the contracting officer shall—

(A) Obtain approval at a level above the contracting officer before issuance of the continued contract;

(B) Assign a procurement instrument identification (PII) number to the continued contract that is different from the PII number assigned to the predecessor contract, using the uniform PII numbering system prescribed in DFARS [204.7002](#), [204.7003](#), and [204.7004](#). The predecessor contract will retain the PII number originally assigned to it;

(C) Find a clear breaking point (for example, between issuance of orders, exercise of options, or establishment of a new line of accounting) to issue the continued contract;

(D) Clearly segregate contractual requirements for purposes of Government inspection, acceptance, payment, and closeout. Supplies already delivered and services already performed under the predecessor contract will remain under the predecessor contract. This will allow the predecessor contract to be closed out when all inspection, acceptance, payment, and other closeout issues associated with supplies delivered and services performed under the predecessor contract are complete;

(E) Include in the continued contract all terms and conditions of the predecessor contract that pertain to the supplies and services yet to be delivered or performed. At the time it is issued, the continued contract may not in any way alter the prices or terms and conditions established in the predecessor contract;

(F) Not evade competition, expand the scope of work, or extend the period of performance beyond that of the predecessor contract;

(G) Provide advance notice to the contractor before issuance of the continued contract, to include the PII number and the effective date of the continued contract;

(H) Modify the predecessor contract to—

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(1) Reflect any necessary administrative changes such as transfer of Government property, and make the Government property accountable under the continued contract;

(2) Clearly state that future performance (e.g., issuance of orders or exercise of options) will be accomplished under the continued contract; and

(3) Specify the administrative reason for issuing the continued contract; and

(l) Reference the predecessor contract PII number on the face page of the continued contract to ensure traceability.

(ii) Sample language for the administrative modification to the predecessor contract is provided below:

“This modification is issued for administrative purposes to facilitate continued contract performance due to *[state the reason for assigning an additional PII number]*. This modification is authorized in accordance with DFARS [204.7001\(c\)](#).

Supplies and services already acquired under this contract number shall remain solely under this contract number for purposes of Government inspection, acceptance, payment, and closeout. All future *[delivery orders]* *[task orders]* *[options exercised]* will be accomplished under continued contract XXXXXXXX.”

### PGI 204.7005 Order code monitors.

(b) Contracting activities submit requests for assignment of or changes in two-character order codes to their respective monitors in accordance with department/agency procedures.

(1) Order code monitors—

(i) Approve requests for additions, deletions, or changes; and

(ii) Provide notification of additions, deletions, or changes to Defense Procurement and Acquisition Policy, Program Development and Implementation (OUSD(AT&L) DPAP/PDI), 3060 Defense Pentagon, Washington, DC 20301-3060 or email at [osd.pentagon.ousd-atl.mbx.call-order-codes@mail.mil](mailto:osd.pentagon.ousd-atl.mbx.call-order-codes@mail.mil).

(2) Order code monitors are—

ARMY

Office of the Deputy Assistant  
Secretary of the Army  
(Procurement)  
Attn: SAAL-ZP (RM 2E520)

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	103 Army Pentagon Washington, DC 20310-0103
NAVY AND MARINE CORPS	Office of the Assistant Secretary of the Navy (RD&A) 1000 Navy Pentagon, Room BF992 Washington, DC 20350-1000
AIR FORCE	SAF/AQCI 1060 Air Force Pentagon Washington, DC 20330-1060
DEFENSE LOGISTICS AGENCY	Defense Logistics Agency DLA Acquisition Policy and Systems Division (J71) John J. Kingman Road Fort Belvoir, VA 22060-6221
OTHER DEFENSE AGENCIES	Defense Procurement and Acquisition Policy Attn: Program Development and Implementation 3060 Defense Pentagon Washington, DC 20301-3060 or email <a href="mailto:osd.pentagon.ousd-atl.mbx.call-order-codes@mail.mil">osd.pentagon.ousd-atl.mbx.call-order-codes@mail.mil</a>

(3) Order code assignments can be found at  
[http://www.acq.osd.mil/dpap/dars/order\\_code\\_assignments.html](http://www.acq.osd.mil/dpap/dars/order_code_assignments.html).

### **PGI 204.7006 Cross reference to Federal Procurement Data System.**

DPAP policy letter dated July 8, 2010, subject: Contract Indexing Standard (viewable [here](#)) provides detailed guidance and a matrix on mapping PII and supplementary PII numbers stored in the Electronic Document Access system to data elements reported in the Federal Procurement Data System. The attachment for this DPAP policy is provided in the following matrices, which should be used as a cross reference between terms in the DFARS and the Federal Procurement Data System.

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<b>ELEMENTS NEEDED TO IDENTIFY A DEPARTMENT OF DEFENSE PROCUREMENT ACTION</b>				
<b>Procurement Instrument Action Type</b>	<b>Reference Procurement Instrument (Reference Use Only)</b>	<b>Required as shown below to uniquely identify the action.</b>		
		<b>Procurement Instrument Identification Number (aka Contract Number)</b>	<b>Order Number</b>	<b>Modification Number</b>
BPA or Order under a Schedule or other non-DoD Instrument	E	A		
Order against a BPA under a Schedule	E	A	B	
DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument		A		
Order against a DoD Stand Alone Contract, BOA, BPA or other instrument		A	B	
Modification to a BPA or Order under a Schedule or other non-DoD Instrument	E	A		C
Modification to an Order against a BPA under a Schedule	E	A	B	D
Modification to a DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument		A		C
Modification to an Order against a DoD Stand Alone Contract, BOA, or BPA		A	B	D

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<b>STRUCTURE OF REQUIRED IDENTIFIERS</b>				
<b>Key and Description</b>		<b>Format</b>		
<b>A - DoD Procurement Instrument Identification Number (PIIN)</b>	<b>Consists of concatenation of following four fields:</b>			
	Enterprise Identifier - DODAAC of contracting office	Fiscal Year in which award is made	Procurement Instrument Type Code	Serialized Identifier
	Six Alphanumeric excluding 'I' and 'O'	2 Numeric	1 Alpha (list)	Four Alphanumeric excluding 'I' and 'O'. '0000' is not an acceptable value.
<b>B - DoD Order Number (Supplementary Procurement Instrument Identification Number (SPIIN))</b>	Four Alphanumeric excluding 'I' and 'O', 'A' and 'P' prohibited in first position. '0000' is not an acceptable value.			
<b>C - DoD Procurement Instrument Modification Identifier (Supplementary Procurement Instrument Identification Number (SPIIN))</b>	Six Alphanumeric beginning with 'A' or 'P', excluding 'I' and 'O'. 'P00000' and 'A00000' are not acceptable values			
<b>D - DoD Order Modification Identifier (Supplementary Procurement Instrument Identification Number (SPIIN))</b>	Two Alphanumeric excluding 'I' and 'O'. '00' is not an acceptable value.			
<b>E -- Non DoD Procurement Instrument Number</b>	4 to 50 Alphanumeric			

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FPDS Crosswalk	FPDS FIELD NAME			
	REF_IDV_PIID	REF_IDV_MODIFICATION_NUMBER	PIID	MODIFICATION_NUMBER
BPA or Order under a Schedule or other non-DoD Instrument	E	Use "0"	A	Use "0"
Order against a BPA under a Schedule	A	Use "0"	B*	Use "0"
DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument			A	Use "0"
Order against a DoD Stand Alone Contract, BOA, BPA or other instrument	A	Use "0"	B*	Use "0"
Modification to a BPA or Order under a Schedule or other non-DoD Instrument			A	C
Modification to an Order against a BPA under a Schedule	A	Use "0"	B*	D*
Modification to a DoD Stand Alone Contract, Purchase Order, BOA, BPA or other instrument			A	C
Modification to an Order against a DoD Stand Alone Contract, BOA, or BPA	A	Use "0"	B*	D*
* Note that FPDS strips leading zeroes, so that modification 02 to order 0024 is shown as modification 2 to order 24				

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## PGI 209—Contractor Qualifications

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*(Revised September 9, 2013)*

### PGI 209.5—ORGANIZATIONAL AND CONSULTANT CONFLICTS OF INTEREST

#### PGI 209.570 Limitations on contractors acting as lead system integrators.

##### PGI 209.570-1 Definitions.

The phrase “substantial portion of the work,” as used in the definition of “lead system integrator with system responsibility” in the clause at DFARS [252.209-7007](#), may relate to the dollar value of the effort or to the criticality of the effort to be performed.

##### PGI 209.570-3 Procedures.

(1) After assessing the offeror’s direct financial interests in the development or construction of any individual system or element of any system of systems, if the offeror—

(i) Has no direct financial interest in such systems, the contracting officer shall document the contract file to that effect and may then further consider the offeror for award of the contract;

(ii) Has a direct financial interest in such systems, but the exception in DFARS [209.570-2\(b\)\(2\)](#) applies, the contracting officer shall document the contract file to that effect and may then further consider the offeror for award of the contract;

(iii) Has a direct financial interest in such systems and the exception in DFARS [209.570-2\(b\)\(2\)](#) does not apply, but the conditions in DFARS [209.570-2\(b\)\(1\)\(i\)](#) and (ii) do apply, the contracting officer—

(A) Shall document the contract file to that effect;

(B) May, in coordination with program officials, request an exception for the offeror from the Secretary of Defense, in accordance with paragraph (2) of this subsection; and

(C) Shall not award to the offeror unless the Secretary of Defense grants the exception and provides the required certification to Congress; or

(iv) Has a direct financial interest in such systems and the exceptions in DFARS [209.570-2\(b\)\(1\)](#) and (2) do not apply, the contracting officer shall not award to the offeror.

(2)(i) To process an exception under DFARS [209.570-2\(b\)\(1\)](#), the contracting officer shall submit the request and appropriate documentation to—

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Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/PACC  
3060 Defense Pentagon  
Washington, DC 20301-3060.

Phone: 703-695-4235

FAX: 703-693-9616

(ii) The action officer in the Office of the Director, Defense Procurement and Acquisition Policy, Program Acquisition and Contingency Contracting (DPAP/PACC), will process the request through the Office of the Secretary of Defense and, if approved, to the appropriate committees of Congress. The contracting officer shall not award a contract to the affected offeror until notified by the DPAP/PACC action officer that the exception has been approved and transmitted to Congress.

### **PGI 209.571 Organizational conflicts of interest in major defense acquisition programs.**

#### **PGI 209.571-7 Systems engineering and technical assistance contracts.**

Because of the special organizational conflict of interest restrictions that relate to systems engineering and technical assistance contracts, it is more practical to separate systems engineering and technical assistance-type work from design- and development-type work, and not include both types of work in the same task order or other contract vehicle.

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## PGI 215—Contracting by Negotiation

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(Revised September 9, 2013)

### PGI 215.4—CONTRACT PRICING

#### PGI 215.402 Pricing policy.

(1) Contracting officers must purchase supplies and services from responsible sources at fair and reasonable prices. The Truth in Negotiations Act (TINA) (10 U.S.C. 2306a and 41 U.S.C. chapter 35) requires offerors to submit certified cost or pricing data if a procurement exceeds the TINA threshold and none of the exceptions to certified cost or pricing data requirements applies. Under TINA, the contracting officer obtains accurate, complete, and current data from offerors to establish a fair and reasonable price (see FAR 15.403). TINA also allows for a price adjustment remedy if it is later found that a contractor did not provide accurate, complete, and current data.

(2) When certified cost or pricing data are not required, and the contracting officer does not have sufficient data to determine price reasonableness, FAR 15.402(a)(2) requires the offeror to provide whatever data the contracting officer needs in order to determine fair and reasonable prices.

(3) Obtaining sufficient data from the offeror is particularly critical in situations where an item is determined to be a commercial item in accordance with FAR 2.101 and the contract is being awarded on a sole source basis. This includes commercial sales data of items sold in similar quantities and, if such data is insufficient, cost data to support the proposed price.

(4) See [PGI 215.404-1](#) for more detailed procedures for obtaining data needed to determine fair and reasonable prices.

#### PGI 215.403 Obtaining certified cost or pricing data.

##### PGI 215.403-1 Prohibition on obtaining certified cost or pricing data (10 U.S.C. 2306a and 41 U.S.C. chapter 35).

(b) *Exceptions to certified cost or pricing data requirements.* Even if an exception to certified cost or pricing data applies, the contracting officer is still required to determine price reasonableness. In order to make this determination, the contracting officer may require data other than certified cost or pricing data, including data related to prices and cost data that would otherwise be defined as certified cost or pricing data if certified.

(c)(3) *Commercial items.*

(A)(1) Contracting officers must exercise care when pricing a commercial item, especially in sole source situations. The definition of a commercial item at FAR 2.101 requires the product or service be one—

(i) That is of a type customarily used by the general public or

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by non-governmental entities for other than governmental purposes; and

(ii) That—

public;

(A) Has been sold, leased, or licensed to the general

general public; or

(B) Has been offered for sale, lease, or license to the

or services.

(C) Has evolved or been modified from such products

(2) Therefore, some form of prior non-government sales data, or the fact that the item was sold, leased, licensed, or offered for sale (either the specific product or service or the product or service from which the item evolved) must be obtained.

(3) The fact that an item has been determined to be a commercial item does not, in and of itself, prohibit the contracting officer from requiring data other than certified cost or pricing data. This includes data related to prices and cost data that would otherwise be defined as certified cost or pricing data if certified. Obtaining sufficient data from the offeror is particularly critical in situations where an item is determined to be a commercial item in accordance with FAR 2.101 and the contract is being awarded on a sole source basis. See [PGI 215.404-1](#) for more detailed procedures for use when obtaining data from the offeror to determine price reasonableness.

(B)(1) *Report Content*. The annual report of commercial item exceptions to Truth in Negotiations Act (TINA) requirements shall include the following:

Title: Commercial Item Exceptions to TINA Requirements

(1) Contract number, including modification number, if applicable, and program name.

(2) Contractor name.

(3) Contracting activity.

(4) Total dollar amount of exception.

(5) Brief explanation of the basis for determining that the item(s) are commercial.

(6) Brief description of the specific steps taken to ensure price reasonableness.

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(2) *Pricing Actions Reported.* The intent of this requirement is to report when a commercial item exception was determined. Therefore, the reporting of the commercial item exceptions are for pricing actions at the point the contracting officer makes a determination that the commercial item exception applies. For example—

Example 1: The contracting officer determined that a commercial item exception applies for an entire indefinite-delivery indefinite-quantity (IDIQ) contract and expected the subsequent orders to exceed \$15 million (based on the estimated maximum amount for the IDIQ or other supportable estimate of future orders). The organization would report this in accordance with DFARS [215.403-1\(c\)\(3\)](#) for the period in which the IDIQ contract was awarded, and would include the total dollar amount of subsequent orders under the exception expected at the time of award.

Example 2: The contracting officer awards an IDIQ contract with no commercial item exceptions anticipated. The contracting officer later modifies the contract for an order that will meet commercial item exceptions, and the subsequent order(s) are expected to exceed \$15 million. Reporting (in the year the modification was issued) will include this IDIQ contract, the amount of this order, and any other expected future orders that will use the exception.

(i) For the above examples, after the contract is reported as receiving the exception with expected awards over \$15 million, there would be no further report, e.g., when a subsequent order under that contract exceeds \$15 million, because reporting for that contract was already accomplished.

(ii) When explaining price reasonableness in accordance with paragraph (c)(3)(B)(1)(6) of this subsection, if pricing was accomplished when the IDIQ contract was awarded, also explain how price reasonableness was determined. In circumstances where pricing will take place on the order at a future date, explain how pricing techniques at FAR 15.404-1 will be used, including obtaining cost data, if that is the only way to determine price reasonableness.

### (4) *Waivers.*

#### (A) *Exceptional case TINA waiver.*

(1) In determining that an exceptional case TINA waiver is appropriate, the head of the contracting activity must exercise care to ensure that the supplies or services could not be obtained without the waiver and that the determination is clearly documented. [See DPAP March 23, 2007, policy memorandum.](#) The intent is not to relieve entities that normally perform Government contracts subject to TINA from an obligation to certify that cost or pricing data are accurate, complete, and current. Instead, waivers must be used judiciously, in situations where the Government could not otherwise

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obtain a needed item without a waiver. A prime example would be when a particular company offers an item that is essential to DoD's mission but is not available from other sources, and the company refuses to submit certified cost or pricing data. In such cases, a waiver may be appropriate. However, the procuring agency should, in conjunction with the waiver, develop a strategy for procuring the item in the future that will not require such a waiver (e.g., develop a second source, develop an alternative product that satisfies the department's needs, or have DoD produce the item).

(2) Senior procurement executive coordination. An exceptional case TINA waiver that exceeds \$100 million shall be coordinated with the senior procurement executive prior to granting the waiver.

(3) Waiver for part of a proposal. The requirement for submission of certified cost or pricing data may be waived for part of an offeror's proposed price when it is possible to clearly identify that part of the offeror's cost proposal to which the waiver applies as separate and distinct from the balance of the proposal. In granting a partial waiver, in addition to complying with the requirements in DFARS [215.403-1\(c\)\(4\)](#), the head of the contracting activity must address why it is in the Government's best interests to grant a partial waiver, given that the offeror has no objection to certifying to the balance of its cost proposal.

(4) Waivers for unpriced supplies or services. Because there is no price, unpriced supplies or services cannot be subject to cost or pricing data certification requirements. The Government cannot agree in advance to waive certification requirements for unpriced supplies or services, and may only consider a waiver at such time as an offeror proposes a price that would otherwise be subject to certification requirements.

(B) The annual report of waiver of TINA requirements shall include the following:

Title: Waiver of TINA Requirements

(1) Contract number, including modification number, if applicable, and program name.

(2) Contractor name.

(3) Contracting activity.

(4) Total dollar amount waived.

(5) Brief description of why the item(s) could not be obtained without a waiver. [See DPAP March 23, 2007, policy memorandum.](#)

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(6) Brief description of the specific steps taken to ensure price reasonableness.

(7) Brief description of the demonstrated benefits of granting the waiver.

### **PGI 215.403-3 Requiring data other than certified cost or pricing data.**

To the extent that certified cost or pricing data are not required by FAR 15.403-4 and there is no other means for the contracting officer to determine that prices are fair and reasonable, the offeror is required to submit “data other than certified cost or pricing data” (see definition at FAR 2.101). In accordance with FAR 15.403-3(a), the offeror must provide appropriate data on the prices at which the same or similar items have previously been sold, adequate for determining the reasonableness of the price. The following clarifies these requirements:

(1) *Data other than certified cost or pricing data.* When certified cost or pricing data are not required, the contracting officer must obtain whatever data is necessary in order to determine the reasonableness of the price. The FAR defines this as “data other than certified cost or pricing data.” When TINA does not apply and there is no other means of determining that prices are fair and reasonable, the contracting officer must obtain appropriate data on the prices at which the same or similar items have been sold previously, adequate for evaluating the reasonableness of the price. Sales data must be comparable to the quantities, capabilities, specifications, etc., of the product or service proposed. Sufficient steps must be taken to verify the integrity of the sales data, to include assistance from the Defense Contract Management Agency, the Defense Contract Audit Agency, and/or other agencies if required. See [PGI 215.404-1](#) for more detailed procedures for obtaining data from offerors to determine price reasonableness.

(2) *Previously been sold.* Contracting officers shall request offerors to provide data related to prior sales (or “offered for sale”) in support of price reasonableness determinations.

(3) *Adequacy of sales data for pricing.* The contracting officer must determine if the prior sales data is sufficient for determining that prices are fair and reasonable. If the sales data is not sufficient, additional data shall be obtained, including cost data if necessary. See [PGI 215.404-1](#) for more detailed procedures for obtaining whatever data is needed to determine fair and reasonable prices.

(4) *Reliance on prior prices paid by the Government.* Before relying on a prior price paid by the Government, the contracting officer must verify and document that sufficient analysis was performed to determine that the prior price was fair and reasonable. Sometimes, due to exigent situations, supplies or services are purchased even though an adequate price or cost analysis could not be performed. The problem is exacerbated when

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other contracting officers assume these prices were adequately analyzed and determined to be fair and reasonable. The contracting officer also must verify that the prices previously paid were for quantities consistent with the current solicitation. Not verifying that a previous analysis was performed, or the consistencies in quantities, has been a recurring issue on sole source commercial items reported by oversight organizations. Sole source commercial items require extra attention to verify that previous prices paid on Government contracts were sufficiently analyzed and determined to be fair and reasonable. At a minimum, a contracting officer reviewing price history shall discuss the basis of previous prices paid with the contracting organization that previously bought the item. These discussions shall be documented in the contract file.

(5) *Canadian Commercial Corporation*. All contracts with the Canadian Commercial Corporation (CCC) are placed in accordance with the practices, policies and procedures of the Government of Canada covering procurement for defense purposes (see [PGI 225.870](#)). Contracting Officers may rely on the confirmation and endorsement of the offer from the Canadian Commercial Corporation at [225.870-3\(a\)](#) as an endorsement of the cost/price as no more than would be charged to the Canadian government.

(i) When [252.215-7003](#) or [252.215-7004](#) are included in a solicitation with the Canadian Commercial Corporation, the data required by paragraph (b)(i) and (ii), in concert with the confirmation and endorsement of the offer, is intended to meet the requirements of FAR 15.404-1 for documentation of fair and reasonable pricing.

(ii) Use of [252.215-7003](#) or [252.215-7004](#) in sole source acquisitions not meeting the threshold at [215.408\(3\)\(i\)\(A\)](#) or (ii)(A)(1) or competitive acquisitions at any dollar value shall be supported by a determination and finding justifying the anticipated need for data other than certified cost or pricing data to determine a fair and reasonable price.

(iii) When the contracting officer anticipates the need for additional data to establish a fair and reasonable price, specific data should be requested at time of solicitation as detailed in DFARS [252.215-7003](#).

(iv) Examples of clause use:

Scenario	Requirement
Sole source to CCC, fixed price, with estimated value of \$600 million.	Include provision and clause in accordance with <a href="#">215.408(3)(i)(A)(2)</a> and (ii)(A)(1)(ii), respectively, because estimated value exceeds \$500 million.
Sole source to CCC, cost reimbursement, with estimated value of \$800,000.	Include provision and clause in accordance with <a href="#">215.408(3)(i)(A)(1)</a> and (ii)(A)(1)(i), respectively, because estimated

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	value exceeds \$700,000.
Sole source to CCC ,cost-reimbursement, with estimated value of \$500,000.	Do not include provision and clause, unless D&F is approved in accordance with <a href="#">215.408(3)(i)(B)</a> and (ii)(A)(2)), respectively, because estimated value does not exceed \$700.000.
Sole source to CCC ,fixed price, with estimated value of \$800,000	Do not include provision and clause, unless D&F is approved in accordance with <a href="#">215.408(3)(i)(B)</a> and (ii)(A)(2)), respectively, because estimated value does not exceed \$500 million.
Modifications to contracts that include the clause <a href="#">252.215-7004</a> .	If <a href="#">252.215-7004</a> is included in the contract, then data are required for modifications valued above the simplified acquisition threshold, or a higher threshold specified in the solicitation by the contracting officer, in accordance with <a href="#">252.215-7004(b)</a> .

### PGI 215.404 Proposal analysis.

#### PGI 215.404-1 Proposal analysis techniques.

(a) *General.*

(i) The objective of proposal analysis is to ensure that the final agreed-to price is fair and reasonable. When the contracting officer needs data to determine price reasonableness and the offeror will not furnish that data, use the following sequence of steps to resolve the issue:

(A) The contracting officer should make it clear what data is required and why it is needed to determine fair and reasonable prices, and should be flexible in requesting data in existing formats with appropriate explanations from the offeror.

(B) If the offeror refuses to provide the data, the contracting officer should elevate the issue within the contracting activity.

(C) Contracting activity management shall, with support from the contracting officer, discuss the issue with appropriate levels of the offeror's management.

(D) If the offeror continues to refuse to provide the data, contracting activity management shall elevate the issue to the head of the contracting activity for a decision in accordance with FAR 15.403-3(a)(4).

(E) The contracting officer shall document the contract file to

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describe—

(1) The data requested and the contracting officer's need for that data;

(2) Why there is currently no other alternative but to procure the item from this particular source; and

(3) A written plan for avoiding this situation in the future (e.g., develop a second source by...; bring the procurement in house to the Government by...).

(F) Consistent with the requirements at FAR 15.304 and 42.1502 and the DoD Guide to Collection and Use of Past Performance Information, Version 3, dated May 2003, the contracting officer shall provide input into the past performance system, noting the offeror's refusal to provide the requested information.

(ii) In some cases, supplies or services that are not subject to TINA may require a cost analysis (see paragraph (b)(iv) of this section). This will occur when a price analysis is not sufficient for determining prices to be fair and reasonable. In such cases, the contracting officer should consider the need for a Defense Contract Audit Agency audit of the cost data.

(iii) Particular attention should be paid to sole source commercial supplies or services. While the order of preference at FAR 15.402 must be followed, if the contracting officer cannot determine price reasonableness without obtaining data other than cost or pricing data from the offeror, at a minimum, the contracting officer must obtain appropriate data on the prices at which the same or similar items have been sold previously (often previous sales data was the basis of the commercial item determination and must be requested during price analysis of the data provided by the offeror). If previous sales data is not sufficient to determine price reasonableness, the contracting officer must obtain "data other than certified cost or pricing data" and, if necessary, perform a cost analysis.

(b) *Price analysis.*

(i) Price analysis should generally be performed on supplies or services that are not subject to TINA. Available commercial sales, published catalogs or prices, etc., can sometimes be obtained through market research and can provide a basis for determining if the proposed prices are fair and reasonable.

(ii) In some cases, commercial sales are not available and there is no other market data for determining fair and reasonable prices. This is especially true when buying supplies or services that have been determined to be commercial, but have only been "offered for sale" or purchased on a sole source basis with no prior commercial sales upon which to rely. In such cases, the contracting officer must require the offeror to submit

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whatever cost data is needed to determine price reasonableness.

(iii) The following procedures shall be adhered to when executing the price analysis steps at FAR 15.404-1(b)(2):

(A) When the contracting officer is relying on data obtained from sources other than the offeror, the contracting officer must obtain and document sufficient data to confirm that previous prices paid by the Government were based on a thorough price and/or cost analysis. For example, it would not be sufficient to use price(s) from a database paid by another contracting officer without understanding the type of analysis that was performed to determine the price(s), and without verifying that the quantities were similar for pricing purposes. This does not necessarily need to be another analysis, but there should be coordination with the other office that acknowledges an analysis was performed previously.

(B) When purchasing sole source commercial items, the contracting officer must request non-Government sales data for quantities comparable to those in the solicitation. In addition, if there have not been any non-Government sales, “data other than certified cost or pricing data” shall be obtained and a price or cost analysis performed as required.

(iv) When considering advice and assistance from others, the contracting officer must pay particular attention to supplies or services that are not subject to TINA because they are “of a type” customarily used by the general public or “similar to” the item being purchased. There must be a thorough analysis of—

(A) The available price data for the similar-type item;

(B) The changes required by the solicitation; and

(C) The cost of modifying the base item.

(v) In some cases, the contracting officer will have to obtain “data other than certified cost or pricing data” from the offeror because there is not sufficient data from other sources to determine if prices are fair and reasonable. The contracting officer must use business judgment to determine the level of data needed from the offeror, but must ensure that the data is sufficient for making a reasonableness determination. For example, the offeror may have significant sales of the item in comparable quantities to non-Government entities, and that may be all the data needed, once the sales data is appropriately verified. On the other hand, there may be no non-Government sales and the contracting officer may be required to obtain cost data, and should do so. The request for additional data shall be limited to only that needed to determine prices to be fair and reasonable. For example, assume the proposal is 40 percent purchase parts, 30 percent labor, and the balance indirect rates. Also assume that the Defense Contract Management Agency (DCMA) has a

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forward pricing rate agreement with the offeror. It may be sufficient to limit requests to historical purchase records and/or vendor quotes and the proposed labor hours. Based on this data and the forward pricing rates from DCMA, the contracting officer may be able to determine price reasonableness.

(c) *Cost analysis.*

(i) When the contracting officer cannot obtain sufficient data to perform a price analysis in accordance with the pricing steps in FAR 15.404-1(b), a cost analysis is required.

(ii) When a solicitation is not subject to TINA and a cost analysis is required, the contracting officer must clearly communicate to the offeror the cost data that will be needed to determine if the proposed price is fair and reasonable.

(iii) To the extent possible, when cost or pricing data are not required to be submitted in accordance with Table 15-2 of FAR 15.408, the contracting officer should accept the cost data in a format consistent with the offeror's records.

(iv) The contracting officer must always consider the need for field pricing support from the Defense Contract Management Agency, the Defense Contract Audit Agency, and/or other agencies.

(e) *Technical analysis.*

Requesting technical assistance is particularly important when evaluating pricing related to items that are “similar to” items being purchased or commercial items that are “of a type” or require “minor modifications.” Technical analysis can assist in pricing these types of items by identifying any differences between the item being acquired and the “similar to” item. In particular, the technical review can assist in evaluating the changes that are required to get from the “similar to” item, to the item being solicited, so the contracting officer can determine sufficient price/cost analysis techniques when evaluating that the price for the item being solicited is fair and reasonable.

### PGI 215.404-2 Data to support proposal analysis.

(a) *Field pricing assistance.*

(i) The contracting officer should consider requesting field pricing assistance (See [PGI 215.404-2\(c\)](#) for when audit assistance should be requested) for—

(A) Fixed-price proposals exceeding the certified cost or pricing data threshold;

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(B) Cost-type proposals exceeding the certified cost or pricing data threshold from offerors with significant estimating system deficiencies (see DFARS [215.407-5-70](#)(a)(4) and (c)(2)(i)); or

(C) Cost-type proposals exceeding \$10 million from offerors without significant estimating system deficiencies.

(ii) The contracting officer should not request field pricing support for proposed contracts or modifications in an amount less than that specified in paragraph (a)(i) of this subsection. An exception may be made when a reasonable pricing result cannot be established because of—

(A) A lack of knowledge of the particular offeror; or

(B) Sensitive conditions (e.g., a change in, or unusual problems with, an offeror's internal systems).

(c) *Audit assistance for prime contracts or subcontracts.*

(i) The contracting officer should consider requesting audit assistance from DCAA for—

(A) Fixed-price proposals exceeding \$10 million;

(B) Cost-type proposals exceeding \$100 million.

(ii) The contracting officer should not request DCAA audit assistance for proposed contracts or modifications in an amount less than that specified in paragraph (c)(i) of this subsection unless there are exceptional circumstances explained in the request for audit. (See [PGI 215.404-2](#)(a)(i) for requesting field pricing assistance without a DCAA audit.)

(iii) If, in the opinion of the contracting officer or auditor, the review of a prime contractor's proposal requires further review of subcontractors' cost estimates at the subcontractors' plants (after due consideration of reviews performed by the prime contractor), the contracting officer should inform the administrative contracting officer (ACO) having cognizance of the prime contractor before the review is initiated.

(iv) Notify the appropriate contract administration activities when extensive, special, or expedited field pricing assistance will be needed to review and evaluate subcontractors' proposals under a major weapon system acquisition. If audit reports are received on contracting actions that are subsequently cancelled, notify the cognizant auditor in writing.

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(v) Requests for audit assistance for subcontracts should use the same criteria as established in paragraphs (c)(i) and (c)(ii) of this subsection.

### **PGI 215.404-3 Subcontract pricing considerations.**

(a) The contracting officer should consider the need for field pricing analysis and evaluation of lower-tier subcontractor proposals, and assistance to prime contractors when they are being denied access to lower-tier subcontractor records.

(i) When obtaining field pricing assistance on a prime contractor's proposal, the contracting officer should request audit or field pricing assistance to analyze and evaluate the proposal of a subcontractor at any tier (notwithstanding availability of data or analyses performed by the prime contractor) if the contracting officer believes that such assistance is necessary to ensure the reasonableness of the total proposed price. Such assistance may be appropriate when, for example—

(A) There is a business relationship between the contractor and the subcontractor not conducive to independence and objectivity;

(B) The contractor is a sole source supplier and the subcontract costs represent a substantial part of the contract cost;

(C) The contractor has been denied access to the subcontractor's records;

(D) The contracting officer determines that, because of factors such as the size of the proposed subcontract price, audit or field pricing assistance for a subcontract at any tier is critical to a fully detailed analysis of the prime contractor's proposal;

(E) The contractor or higher-tier subcontractor has been cited for having significant estimating system deficiencies in the area of subcontract pricing, especially the failure to perform adequate cost analyses of proposed subcontract costs or to perform subcontract analyses prior to negotiation of the prime contract with the Government; or

(F) A lower-tier subcontractor has been cited as having significant estimating system deficiencies.

(ii) It may be appropriate for the contracting officer or the ACO to provide assistance to a contractor or subcontractor at any tier, when the contractor or higher-tier subcontractor has been denied access to a subcontractor's records in carrying out the responsibilities at FAR 15.404-3 to conduct price or cost analysis to determine the reasonableness of proposed subcontract prices. Under these circumstances, the

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contracting officer or the ACO should consider whether providing audit or field pricing assistance will serve a valid Government interest.

(iii) When DoD performs the subcontract analysis, DoD shall furnish to the prime contractor or higher-tier subcontractor, with the consent of the subcontractor reviewed, a summary of the analysis performed in determining any unacceptable costs included in the subcontract proposal. If the subcontractor withholds consent, DoD shall furnish a range of unacceptable costs for each element in such a way as to prevent disclosure of subcontractor proprietary data.

(iv) Price redeterminable or fixed-price incentive contracts may include subcontracts placed on the same basis. When the contracting officer wants to reprice the prime contract even though the contractor has not yet established final prices for the subcontracts, the contracting officer may negotiate a firm contract price—

(A) If certified cost or pricing data on the subcontracts show the amounts to be reasonable and realistic; or

(B) If certified cost or pricing data on the subcontracts are too indefinite to determine whether the amounts are reasonable and realistic, but—

(1) Circumstances require prompt negotiation; and

(2) A statement substantially as follows is included in the repricing modification of the prime contract:

As soon as the Contractor establishes firm prices for each subcontract listed below, the Contractor shall submit (in the format and with the level of detail specified by the Contracting Officer) to the Contracting Officer the subcontractor's cost incurred in performing the subcontract and the final subcontract price. The Contractor and the Contracting Officer shall negotiate an equitable adjustment in the total amount paid or to be paid under this contract to reflect the final subcontract price.

(v) If the selection of the subcontractor is based on a trade-off among cost or price and other non-cost factors rather than lowest price, the analysis supporting subcontractor selection should include a discussion of the factors considered in the selection (also see FAR 15.101 and 15.304 and DFARS [215.304](#)). If the contractor's analysis is not adequate, return it for correction of deficiencies.

(vi) The contracting officer shall make every effort to ensure that fees negotiated by contractors for cost-plus-fixed-fee subcontracts do not exceed the fee

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limitations in FAR 15.404-4(c)(4).

### **PGI 215.404-70 DD Form 1547, Record of Weighted Guidelines Method Application.**

(1) The DD Form 1547—

(i) Provides a vehicle for performing the analysis necessary to develop a profit objective;

(ii) Provides a format for summarizing profit amounts subsequently negotiated as part of the contract price; and

(iii) Serves as the principal source document for reporting profit statistics to DoD's management information system.

(2) The military departments are responsible for establishing policies and procedures for feeding the DoD-wide management information system on profit and fee statistics (see [PGI 215.404-76](#)).

(3) The contracting officer shall—

(i) Use and prepare a DD Form 1547 whenever a structured approach to profit analysis is required by DFARS [215.404-4\(b\)](#) (see DFARS [215.404-71](#), [215.404-72](#), and [215.404-73](#) for guidance on using the structured approaches). Administrative instructions for completing the form are in [PGI 253.215-70](#).

(ii) Ensure that the DD Form 1547 is accurately completed. The contracting officer is responsible for the correction of any errors detected by the management system auditing process.

### **PGI 215.404-71 Weighted guidelines method.**

#### **PGI 215.404-71-4 Facilities capital employed.**

(c) *Use of DD Form 1861 - Field pricing support.*

(i) The contracting officer may ask the ACO to complete the forms as part of field pricing support.

(ii) When the Weighted Guidelines Method is used, completion of the DD Form 1861 requires data not included on the Form CASB-CMF, i.e., distribution percentages of land, building, and equipment for the business unit performing the contract. Choose the most practical method for obtaining this data, for example—

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(A) Contract administration offices could obtain the data through the process used to establish factors for facilities capital cost of money or could establish advance agreements on distribution percentages for inclusion in field pricing reports;

(B) The corporate ACO could obtain distribution percentages; or

(C) The contracting officer could request the data through a solicitation provision.

### PGI 215.404-76 Reporting profit and fee statistics.

(1) Contracting officers in contracting offices that participate in the management information system for profit and fee statistics must send completed DD Forms 1547 on actions that exceed the certified cost or pricing data threshold, where the contracting officer used the weighted guidelines method, an alternate structured approach, or the modified weighted guidelines method, to their designated office within 30 days after contract award.

(2) Participating contracting offices and their designated offices are—

<u>Contracting Office</u>	<u>Designated Office</u>
ARMY	
All	*
NAVY	
All	Commander Fleet and Industrial Supply Center, Norfolk Washington Detachment, Code 402 Washington Navy Yard Washington, DC 20374-5000
AIR FORCE	
Air Force Materiel Command (all field offices)	*

\* Use the automated system, Profit Weighted Guidelines and Application at <https://www.wgl.wpafb.af.mil/wgl>, as required by your department.

(3) When the contracting officer delegates negotiation of a contract action that exceeds the certified cost or pricing data threshold to another agency (e.g., to an ACO), that agency must ensure that a copy of the DD Form 1547 is provided to the delegating office for reporting purposes within 30 days after negotiation of the contract action.

(4) Contracting offices outside the United States and its outlying areas are exempt

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from reporting.

(5) Designated offices send a quarterly (non-cumulative) report of DD Form 1547 data to—

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060

Or via email to: [osd.pentagon.ousd-atl.mbx.cpic@mail.mil](mailto:osd.pentagon.ousd-atl.mbx.cpic@mail.mil)

(6) In preparing and sending the quarterly report, designated offices—

- (i) Perform the necessary audits to ensure data accuracy;
- (ii) Do not enter classified information;
- (iii) Transmit the report using approved electronic means; and

(iv) Send the reports not later than the 30th day after the close of the quarterly reporting periods.

(7) These reporting requirements have been assigned Report Control Symbol DD-AT&L(Q)1751.

### **PGI 215.406-1 Prenegotiation objectives.**

(a) Also consider—

(i) Data resulting from application of work measurement systems in developing prenegotiation objectives; and

(ii) Field pricing assistance personnel participation in planned prenegotiation and negotiation activities.

(b) Prenegotiation objectives, including objectives related to disposition of findings and recommendations contained in preaward and postaward contract audit and other advisory reports, shall be documented and reviewed in accordance with departmental procedures.

(i) *Significant Disagreements.* (A) Contracting officers and contract auditors have complementary roles in the contracting process and are expected to collaborate to determine fair and reasonable contract values, in accordance with [Director, Defense](#)

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[Procurement and Acquisition Policy memorandum dated December 4, 2009, Subject: Resolving Contract Audit Recommendations.](#) When a significant disagreement arises on questioned costs, the contracting officer and the auditor shall discuss the basis of the disagreement. The contracting officer shall document that discussion and their disagreement in a written communication to the auditor. The contracting officer shall also document the disagreement in the prenegotiation objective (or pre-business clearance). The contracting officer may then proceed with negotiations when the prenegotiation objectives are approved.

(B) A significant disagreement is defined as the contracting officer planning to sustain less than 75-percent of the total recommended questioned costs in a Defense Contract Audit Agency (DCAA) audit report of a contractor proposal for an initial contract or a contract modification with a value equal to or greater than \$10 million. It does not apply to costs that DCAA has categorized as unsupported or unresolved in its audit report.

(ii) *Adjudication Procedures.* DCAA has three days to elevate the issues within the contracting officer's activity after receipt of the contracting officers' written communication confirming the disagreement. Furthermore, DCAA may appeal the significant issues up the chain of command as established in each Component's "Resolving Contract Audit Recommendations" policy. If issues remain, the Director, DCAA may escalate from the Defense Component's Head of Contracting Activity or Senior Procurement Executive, to the Director, Defense Procurement and Acquisition Policy (DPAP). If the DCAA Director believes that the Director, DPAP has not adequately addressed the matter, the disagreement may finally be elevated to the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the Comptroller.

(iii) Notwithstanding the above, the Director, DCAA, may always raise audit issues to the Director, DPAP.

(c) *Cost estimates for program baselines and contract negotiations for Major Defense Acquisition and Major Automated Information System Programs.*

(i) For the purpose of contract negotiations and obligation of funds under this paragraph, the Government shall prepare cost analyses and targets based on the Government's reasonable expectation of successful contractor performance in accordance with the contractor's proposal and previous experience.

(ii) Cost estimates developed for baseline descriptions and other program purposes by the Director of Cost Assessment and Program Evaluation pursuant to its functions, do not meet the criteria described in paragraph (c)(i) of this subsection and, thus, shall not be used for purposes of developing the Government's contract negotiation position or for the obligation of funds. However, the Government may consider the data used to develop such estimates when developing the cost analyses and targets described in

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paragraph (c)(i) of this subsection.

(d) See Frequently asked ‘Questions and Answers’ at [http://www.acq.osd.mil/dpap/cpic/cp/sec\\_808\\_NDAA.html](http://www.acq.osd.mil/dpap/cpic/cp/sec_808_NDAA.html) relating to the limitations placed on the Department of Defense for aggregate annual amounts available for contracted services in accordance with section 808 of the National Defense Authorization Act for Fiscal year 2012, P.L. 112-81 and DFARS Class Deviation 2012-O0012, Limitation on Amounts Available for Contracted Services, dated July 31, 2012.

### PGI 215.406-3 Documenting the negotiation.

(a)(7) Include the principal factors related to the disposition of findings and recommendations contained in preaward and postaward contract audit and other advisory reports.

(10) The documentation—

(A) Must address significant deviations from the prenegotiation profit objective;

(B) Should include the DD Form 1547, Record of Weighted Guidelines Application (see DFARS [215.404-70](#)), if used, with supporting rationale; and

(C) Must address the rationale for not using the weighted guidelines method when its use would otherwise be required by DFARS [215.404-70](#).

(1) Upload sole source business clearance documentation into the Contract Business Analysis Repository (CBAR) at [http://www.dcmamail.mil/itcso/cbt/CBAR\\_1\\_6/index.cfm](http://www.dcmamail.mil/itcso/cbt/CBAR_1_6/index.cfm), in accordance with Director, Defense Pricing, memorandum dated March 12, 2013. [Click here](#). For additional information about obtaining access to and training for the CBAR database, see the Director, Defense Contract Management Agency memorandum, dated April 2, 2013. [Click here](#).

### PGI 215.407-2 Make-or-buy programs.

(d) *Solicitation Requirements*. Consider the following factors when deciding whether to request a make-or-buy plan—

(1) The prime contractor’s assumption of risk;

(2) The prime contractor’s plant capacity;

(3) The prime contractor’s degree of vertical integration;

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- (4) The prime contractor's internal resources;
- (5) The anticipated contract type;
- (6) The complexity, uniqueness, or configuration maturity associated with the end item or its subsystems;
- (7) Critical path items;
- (8) The impact on contract overhead rates with respect to maintaining work in-house;
- (9) The industrial base that could potentially satisfy some system requirements, based on market survey;
- (10) Proprietary data and/or trade secrets;
- (11) Potential product quality concerns associated with items that would be subject to subcontracting;
- (12) Integrated master schedule timelines and their tolerances for variation;
- (13) The availability and experience of program office personnel to credibly analyze and evaluate a submission; and
- (14) Socioeconomic considerations, e.g. small business or labor surplus area concerns.

(f) *Evaluation, negotiation, and Agreement.* When a make-or-buy plan is required, listed below are factors that may be considered when evaluating a submission—

- (1) Prime contractor past performance, especially with respect to subcontract management;
- (2) Prime contractor make-or-buy history;
- (3) Adequacy of contractor's existing make-or-buy processes, including cost and technical risk considerations;
- (4) Component availability through existing sources, e.g. available inventory, or other Government contracts;
- (5) Prime contractor plant capacity;

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(6) The adequacy of the prime contractor's technical, financial and personnel capabilities; and

(7) Prime contractor justification that is provided with respect to items it does not normally make.

### **PGI 215.407-4 Should-cost review.**

(b) *Program should-cost review.*

(2) DoD contracting activities should consider performing a program should-cost review before award of a definitive contract for a major system as defined by DoDI 5000.2. See DoDI 5000.2 regarding industry participation.

(c) *Overhead should-cost review.*

(1) Contact the Defense Contract Management Agency (DCMA) (<http://www.dcm.mil/>) for questions on overhead should-cost analysis.

(2)(A) DCMA or the military department responsible for performing contract administration functions (e.g., Navy SUPSHIP) should consider, based on risk assessment, performing an overhead should-cost review of a contractor business unit (as defined in FAR 2.101) when all of the following conditions exist:

- (1) Projected annual sales to DoD exceed \$1 billion;
- (2) Projected DoD versus total business exceeds 30 percent;
- (3) Level of sole-source DoD contracts is high;
- (4) Significant volume of proposal activity is anticipated;
- (5) Production or development of a major weapon system or program is anticipated; and
- (6) Contractor cost control/reduction initiatives appear inadequate.

(B) The head of the contracting activity may request an overhead should-cost review for a business unit that does not meet the criteria in paragraph (c)(2)(A) of this subsection.

(C) Overhead should-cost reviews are labor intensive. These reviews generally involve participation by the contracting, contract administration, and contract audit

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elements. The extent of availability of military department, contract administration, and contract audit resources to support DCMA-led teams should be considered when determining whether a review will be conducted. Overhead should-cost reviews generally should not be conducted at a contractor business segment more frequently than every 3 years.

### **PGI 215.407-5 Estimating systems.**

#### **PGI 215.407-5-70 Disclosure, maintenance, and review requirements.**

(e) *Disposition of findings.*

(2) *Initial determination.*

(ii)(A) Within 10 days of receiving the report, if the contracting officer makes a determination that there is a significant deficiency, the contracting officer should provide an initial determination of deficiencies and a copy of the report to the contractor and require the contractor to submit a written response.

(C) *Evaluation of contractor's response.* Within 30 days of receiving the contractor's response, the contracting officer, in consultation with the auditor or cognizant functional specialist, should evaluate the contractor's response and make a final determination.

(3) *Final Determination.*

(ii)(A) *Monitoring contractor's corrective action.* The auditor and the contracting officer shall monitor the contractor's progress in correcting deficiencies. If the contractor fails to make adequate progress, the contracting officer shall take whatever action is necessary to ensure that the contractor corrects the deficiencies. Examples of actions the contracting officer can take are: bringing the issue to the attention of higher level management, reducing or suspending progress payments (see FAR 32.503-6), implementing or increasing the withholding in accordance with [252.242-7005](#), Contractor Business Systems, if applicable, and recommending non-award of potential contracts.

(B) *Correction of significant deficiencies.*

(1) When the contractor notifies the contracting officer, in writing, that the contractor has corrected the significant deficiencies, the contracting officer shall request that the auditor review the correction to determine if the deficiencies have been resolved.

(2) The contracting officer shall determine if the contractor has corrected the deficiencies.

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(3) If the contracting officer determines the contractor has corrected the deficiencies, the contracting officer's notification shall be sent to the auditor; payment office; appropriate action officers responsible for reporting past performance at the requiring activities; and each contracting and contract administration office having substantial business with the contractor, as applicable.

### **PGI 215.470 Estimated data prices.**

(b)(i) The form and the provision included in the solicitation request the offeror to state what portion of the total price is estimated to be attributable to the production or development of the listed data for the Government (not to the sale of rights in the data). However, offerors' estimated prices may not reflect all such costs; and different offerors may reflect these costs in a different manner, for the following reasons—

- (A) Differences in business practices in competitive situations;
- (B) Differences in accounting systems among offerors;
- (C) Use of factors or rates on some portions of the data;
- (D) Application of common effort to two or more data items; and
- (E) Differences in data preparation methods among offerors.

(ii) Data price estimates should not be used for contract pricing purposes without further analysis.

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## PGI 217—Special Contracting Methods

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*(Revised September 9, 2013)*

### PGI 217.75—ACQUISITION OF REPLENISHMENT PARTS

#### PGI 217.7503 Spares acquisition integrated with production.

(1) Spares acquisition integrated with production (SAIP) is a technique used to acquire replenishment parts concurrently with parts being produced for the end item.

(2) Include appropriately tailored provisions in the contract when SAIP is used.

#### PGI 217.7504 Acquisition of parts when data is not available.

When acquiring a part for which the Government does not have necessary data with rights to use in a specification or drawing for competitive acquisition, use one of the following procedures in order of preference:

(1) When items of identical design are not required, the acquisition may still be conducted through full and open competition by using a performance specification or other similar technical requirement or purchase description that does not contain data with restricted rights. Two methods are—

- (i) Two-step sealed bidding; and
- (ii) Brand name or equal purchase descriptions.

(2) When other than full and open competition is authorized under FAR Part 6, acquire the part from the firm that developed or designed the item or process, or its licensees, provided productive capacity and quality are adequate and the price is fair and reasonable.

(3) When additional sources are needed and the procedures in paragraph (1) of this section are not practicable, consider the following alternatives:

- (i) Encourage the developer to license others to manufacture the parts;
- (ii) Acquire the necessary rights in data;
- (iii) Use a leader company acquisition technique (FAR Subpart 17.4) when complex technical equipment is involved and establishing satisfactory additional sources will require technical assistance as well as data; or
- (iv) Incorporate a priced option in the contract that allows the Government to require the contractor to establish a second source.

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(4) As a last alternative, the contracting activity may develop a design specification for competitive acquisition through reverse engineering. Contracting activities shall not do reverse engineering unless—

- (i) Significant cost savings can be demonstrated; and
- (ii) The action is authorized by the head of the contracting activity.

## PGI 217.7506—SPARE PARTS BREAKOUT PROGRAM

### PART 1--GENERAL

#### 1-101 Applicability.

(a) The Spare Parts Breakout Program applies to—

(1) Any centrally managed replenishment or provisioned part (hereinafter referred to as “part”) for military systems and equipment; and

(2) All DoD personnel involved with design control, acquisition, and management of such parts including, but not limited to, project/program/system managers, technical personnel, contracting officers, legal counsel, inventory managers, inspectors, and small business specialists and technical advisors.

(b) The Spare Parts Breakout Program does not apply to—

(1) Component breakout (see DFARS 207.171);

(2) Foreign military sale peculiar items;

(3) Insurance items (e.g., one-time buy);

(4) Obsolete items;

(5) Phase-out items (e.g., life-of-type buy);

(6) Items with annual buy values below the thresholds developed by DoD components or field activities;

(7) Parts being acquired under other specifically defined initial support programs; or

(8) Parts acquired through local purchase.

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### 1-102 General.

(a) Significant resources are dedicated to the acquisition and management of parts for military systems and equipment. The ability to competitively buy spares must be considered early in a weapon system acquisition. Initially, repairable or consumable parts are identified and acquired through a provisioning process; repairable or consumable parts acquired thereafter are for replenishment.

(b) The objective of the DoD Spare Parts Breakout Program is to reduce costs through the use of competitive procurement methods, or the purchase of parts directly from the actual manufacturer rather than the prime contractor, while maintaining the integrity of the systems and equipment in which the parts are to be used. The program is based on the application of sound management and engineering judgment in—

(1) Determining the feasibility of acquiring parts by competitive procedures or direct purchase from actual manufacturers; and

(2) Overcoming or removing constraints to breakout identified through the screening process (technical review) described in 3-302.

(c) The breakout program includes procedures for screening and coding parts in order to provide contracting officers summary information regarding technical data and sources of supply to meet the Government's minimum requirements. This information assists the contracting officer in selecting the method of contracting, identifying sources of supply, and making other decisions in the preaward and award phases, with consideration for established parameters of system and equipment integrity, readiness, and the opportunities to competitively acquire parts (see FAR/DFARS Part 6). The identification of sources for parts, for example, requires knowledge of manufacturing sources, additional operations performed after manufacture of parts possessing safety or other critical characteristics, and the availability of technical data.

(d) The result of the screening process (technical review) is indicated by an acquisition method code (AMC) and an acquisition method suffix code (AMSC). The breakout program provides procedures for both the initial assignment of an AMC and an AMSC to a part, and for the recurring review of these codes (see 2-202 and 2-203(b)).

### 1-103 Definitions.

#### 1-103.1 Acquisition method code (AMC).

A single digit numeric code, assigned by a DoD activity, to describe to the contracting officer and other Government personnel the results of a technical review of a part and its suitability for breakout.

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### **1-103.2 Acquisition method code conference.**

A conference that is generally held at the contractor's facility for the purpose of reviewing contractor technical information codes (CTICs) and corresponding substantiating data for breakout.

### **1-103.3 Acquisition method suffix code (AMSC).**

A single digit alpha code, assigned by a DoD activity, that provides the contracting officer and other Government personnel with engineering, manufacturing, and technical information.

### **1-103.4 Actual manufacturer.**

An individual, activity, or organization that performs the physical fabrication processes that produce the deliverable part or other items of supply for the Government. The actual manufacturer must produce the part in-house. The actual manufacturer may or may not be the design control activity.

### **1-103.5 Altered item drawing.**

See current version of DoD STD-100, paragraphs 201.4.4 and 703.

### **1-103.6 Annual buy quantity.**

The forecast quantity of a part required for the next 12 months.

### **1-103.7 Annual buy value (ABV).**

The annual buy quantity of a part multiplied by its unit price.

### **1-103.8 Bailment.**

The process whereby a part is loaned to a recipient with the agreement that the part will be returned at an appointed time. The government retains legal title to such material even though the borrowing organization has possession during the stated period.

### **1-103.9 Breakout.**

The improvement of the acquisition status of a part resulting from a technical review and a deliberate management decision. Examples are—

- (a) The competitive acquisition of a part previously purchased noncompetitively; and
- (b) The direct purchase of a part previously purchased from a prime contractor who is not the actual manufacturer of the part.

### **1-103.10 Competition.**

A contract action where two or more responsible sources, acting independently, can be solicited to satisfy the Government's requirement.

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### **1-103.11 Contractor technical information code (CTIC).**

A two-digit alpha code assigned to a part by a prime contractor to furnish specific information regarding the engineering, manufacturing, and technical aspects of that part.

### **1-103.12 Design control activity.**

A contractor or Government activity having responsibility for the design of a given part, and for the preparation and currency of engineering drawings and other technical data for that part. The design control activity may or may not be the actual manufacturer. The design control activity is synonymous with design activity as used by DoD STD-100.

### **1-103.13 Direct purchase.**

The acquisition of a part from the actual manufacturer, including a prime contractor who is an actual manufacturer of the part.

### **1-103.14 Engineering drawings.**

See current versions of DoD STD-100 and DoDD 1000.

### **1-103.15 Extended dollar value.**

The contract unit price of a part multiplied by the quantity purchased.

### **1-103.16 Full and open competition.**

A contract action where all responsible sources are permitted to compete.

### **1-103.17 Full screening.**

A detailed parts breakout process, including data collection, data evaluation, data completion, technical evaluation, economic evaluation, and supply feedback, used to determine if parts can be purchased directly from the actual manufacturer(s) or can be competed.

### **1-103.18 Immediate (live) buy.**

A buy that must be executed as soon as possible to prevent unacceptable equipment readiness reduction, unacceptable disruption in operational capability, and increased safety risks, or to avoid other costs.

### **1-103.19 Life cycle buy value.**

The total dollar value of all acquisitions that are estimated to occur over a part's remaining life cycle.

### **1-103.20 Limited competition.**

A competitive contract action where the provisions of full and open competition do not exist.

### **1-103.21 Limited screening.**

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A parts breakout process covering only selected points of data and technical evaluations, and should only be used to support immediate buy requirements (see 3-301.3).

### **1-103.22 Manufacture.**

The physical fabrication process that produces a part, or other item of supply. The physical fabrication processes include, but are not limited to, machining, welding, soldering, brazing, heat treating, braking, riveting, pressing, and chemical treatment.

### **1-103.23 Prime contractor.**

A contractor having responsibility for design control and/or delivery of a system/equipment such as aircraft, engines, ships, tanks, vehicles, guns and missiles, ground communications and electronics systems, and test equipment.

### **1-103.24 Provisioning.**

The process of determining and acquiring the range and quantity (depth) of spare and repair parts, and support and test equipment required to operate and maintain an end item of materiel for an initial period of service.

### **1-103.25 Qualification.**

Any action (contractual or precontractual) that results in approval for a firm to supply items to the Government without further testing beyond quality assurance demonstrations incident to acceptance of an item. When prequalification is required, the Government must have a justification on file—

- (a) Stating the need for qualification and why it must be done prior to award;
- (b) Estimating likely cost of qualification; and
- (c) Specifying all qualification requirements.

### **1-103.26 Replenishment part.**

A part, repairable or consumable, purchased after provisioning of that part, for: replacement; replenishment of stock; or use in the maintenance, overhaul, and repair of equipment such as aircraft, engines, ships, tanks, vehicles, guns and missiles, ground communications and electronic systems, ground support, and test equipment. As used in the breakout program, except when distinction is necessary, the term “part” includes subassemblies, components, and subsystems as defined by the current version of MIL-STD-280.

### **1-103.27 Reverse engineering.**

A process by which parts are examined and analyzed to determine how they were manufactured, for the purpose of developing a complete technical data package. The normal, expected result of reverse engineering is the creation of a technical data package

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suitable for manufacture of an item by new sources.

### **1-103.28 Selected item drawing.**

See current version of DoD-STD-100, paragraph 201.4.5.

### **1-103.29 Source.**

Any commercial or noncommercial organization that can supply a specified part. For coding purposes, sources include actual manufacturers, prime contractors, vendors, dealers, surplus dealers, distributors, and other firms.

### **1-103.30 Source approval.**

The Government review that must be completed before contract award.

### **1-103.31 Source control drawing.**

See the current version of DoD-STD-100, paragraph 201.4.3.

### **1-103.32 Technical data.**

Specifications, plans, drawings, standards, purchase descriptions, and such other data to describe the Government's requirements for acquisition.

## **1-104 General policies.**

(a) The identification, selection, and screening of parts for breakout shall be made as early as possible to determine the technical and economic considerations of the opportunities for breakout to competition or direct purchase. Full and open competition is the preferred result of breakout screening.

(b) A part shall be made a candidate for breakout screening based on its cost effectiveness for breakout. Resources should be assigned and priority given to those parts with the greatest expected return given their annual buy value, life cycle buy value, and likelihood of successful breakout, given technical characteristics such as design and performance stability. Consideration of all such factors is necessary to ensure the maximum return on investment in a given breakout program. Occasionally, an item will not meet strict economic considerations for breakout, but action may be required due to other considerations to avoid overpricing situations. Accordingly, there is no minimum DoD threshold for breakout screening actions. DoD components and field activities will develop annual buy thresholds for breakout screening that are consistent with economic considerations and resources. Every effort should be made to complete the full screening of parts that are expected to be subsequently replenished as they enter the inventory.

(c) Breakout improvement efforts shall continue through the life cycle of a part to improve its breakout status (see 2-203) or until such time as the part is coded 1G, 2G, 1K, 2K, 1M, 2M, 1N, 2N, 1T, 2T, 1Z, or 2Z.

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(d) No firm shall be denied the opportunity to demonstrate its ability to furnish a part that meets the Government's needs, without regard to a part's annual buy value, where a restrictive AMC/AMSC is assigned (see FAR 9.202). A firm must clearly demonstrate, normally at its own expense, that it can satisfy the Government's requirements. The Government shall make a vigorous effort to expedite its evaluation of such demonstration and to furnish a decision to the demonstrating firm within a reasonable period of time. If a resolution cannot be made within 60 days, the offeror must be advised of the status of the request and be provided with a good faith estimate of the date the evaluation will be completed. Every reasonable effort shall be made to complete the review before a subsequent acquisition is made. Also, restrictive codes and low annual buy value do not preclude consideration of a surplus dealer or other nonmanufacturing source when the part offered was manufactured by an approved source (see FAR 11.302). A potential surplus dealer or other nonmanufacturing source must provide the Government with all the necessary evidence that proves the proposed part meets the Government's requirements.

(e) The experience and knowledge accrued by contractors in the development, design, manufacture and test of equipment may enhance the breakout decision making process. DoD activities may obtain technical information from contractors when it is considered requisite to an informed coding decision. The procedure for contracting for this information is provided in Part 4 of this document. Contractor's technical information will be designated by CTICs. Only DoD activities shall assign AMCs and AMSCs.

(f) DoD activities with breakout screening responsibilities shall develop, document, and advertise programs that promote the development of qualified sources for parts that are currently being purchased sole source. These programs should provide fair and reasonable technical assistance (engineering or other technical data, parts on bailment, etc.) to contractors who prove they have potential for becoming a qualified second source for an item. These programs should also provide specially tailored incentives to successful firms so as to stimulate their investment in becoming qualified, e.g., Government furnished equipment (GFE) or Government furnished material (GFM) for reverse engineering and technical data package review and assistance.

(g) Departments and agencies shall identify the engineering support activity, design control activity, actual manufacturer, and prime contractor for each part such that the information is readily available to breakout and acquisition personnel.

### **1-105 Responsibilities.**

(a) The Under Secretary of Defense (Acquisition, Technology, and Logistics) has authority for direction and management of the DoD Spare Parts Breakout Program, including the establishment and maintenance of implementing regulations.

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(b) Departments and agencies shall perform audits to ensure that their respective activities comply with the provisions of this program.

(c) Commanders of DoD activities with breakout screening responsibility shall—

(1) Implement a breakout program consistent with the requirements of this document.

(2) Assist in the identification and acquisition of necessary data rights and technical data, and the review of restrictive legends on technical data, during system/equipment development and production to allow, when feasible, breakout of parts.

(3) Designate a program manager to serve as the central focal point, communicate breakout policy, ensure cost-effectiveness of screening actions and breakout program, provide assistance in implementing breakout screening, monitor ongoing breakout efforts and achievements, and provide surveillance over implementation of the breakout program. The program manager shall report only to the Commander, or deputy, of the activity with breakout screening responsibility.

(4) Ensure that actions to remove impediments to breakout are continued as long as it is cost-effective, or until no further breakout improvements can be made.

(5) Invite the activity's small business specialist and the resident small business administration's procurement center representative, if any, to participate in all acquisition method coding conferences at Government and contractor locations.

(6) Ensure timely engineering and technical support to other breakout activities regardless of location.

(i) In the case of parts where contracting or inventory management responsibility has been transferred, support shall include—

(A) Assignment of an AMC/AMSC prior to the transfer;

(B) Assignment of an AMC/AMSC when requested by the receiving activity to parts transferred without such codes. The requesting activity may recommend an AMC/AMSC; and

(C) Full support of the receiving activities' breakout effort by providing timely engineering support in revising existing AMC/AMSCs.

(ii) In all cases, support shall include, but not be limited to, furnishing all necessary technical data and other information (such as code suspense date and

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procurement history) to permit acquisition in accordance with the assigned AMC/AMSC (see 1-105(d)(6)).

(7) Ensure that appropriate surveillance is given to first time breakout parts.

(d) Breakout program managers shall be responsible for—

(1) Initiating the breakout process during the early phases of development and continuing the process during the life of the part;

(2) Considering the need for contractor technical information codes (CTICs) and, when needed, initiating a contract data requirement;

(3) Identifying, selecting, and screening in accordance with Part 3 of this document;

(4) Assigning an AMC/AMSC, using all available data, including CTICs;

(5) Responding promptly to a request for evaluation of additional sources or a review of assigned codes. An evaluation not completed prior to an immediate buy shall be promptly completed for future buys; and

(6) Documenting all assignments and changes, to include rationale for assigning the chosen code, in a permanent file for each part. As a minimum, the file should identify the engineering support activity, cognizant design control activity, actual manufacturer, prime contractor, known sources of supply, and any other information needed to support AMC/AMSC assignments.

(e) Contracting officers responsible for the acquisition of replenishment parts shall—

(1) Consider the AMC/AMSC when developing the method of contracting, the list of sources to be solicited, the type of contract, etc.; and

(2) Provide information that is inconsistent with the assigned AMC/AMSC (e.g., availability of technical data or possible sources) to the activity responsible for code assignment with a request for timely evaluation of the additional information. An urgent immediate buy need not be delayed if an evaluation of the additional information cannot be completed in time to meet the required delivery date.

## PART 2--BREAKOUT CODING

### 2-200 Scope.

This part provides parts breakout codes and prescribes responsibilities for their assignment and management.

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### 2-201 Coding.

Three types of codes are used in the breakout program.

#### 2-201.1 Acquisition method codes.

The following codes shall be assigned by DoD activities to describe the results of the spare parts breakout screening:

(a) *AMC 0*. The part was not assigned AMC 1 through 5 when it entered the inventory, nor has it ever completed screening. Use of this code is sometimes necessary but discouraged. Maximum effort to determine the applicability of an alternate AMC is the objective. This code will never be used to recode a part that already has AMC 1 through 5 assigned, and shall never be assigned as a result of breakout screening. Maximum effort to determine the applicability of AMC 1 through 5 is the objective.

(b) *AMC 1*. Suitable for competitive acquisition for the second or subsequent time.

(c) *AMC 2*. Suitable for competitive acquisition for the first time.

(d) *AMC 3*. Acquire, for the second or subsequent time, directly from the actual manufacturer.

(e) *AMC 4*. Acquire, for the first time, directly from the actual manufacturer.

(f) *AMC 5*. Acquire directly from a sole source contractor which is not the actual manufacturer.

#### 2-201.2 Acquisition method suffix codes.

The following codes shall be assigned by DoD activities to further describe the acquisition method code. Valid combinations of AMCs/AMSCs are indicated in paragraphs (a) through (z) of this subsection and summarized in Exhibit I.

(a) *AMSC A*. The Government's right to use data in its possession is questionable. This code is only applicable to parts under immediate buy requirements and for as long thereafter as rights to data are still under review for resolution and appropriate coding. This code is assigned only at the conclusion of limited screening, and it remains assigned until the full screening process resolves the Government's rights to use data and results in assignment of a different AMSC. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, or if the data is adequate for an alternate source to qualify in accordance with the design control activity's procedures, AMCs 1 or 2 are valid.

(b) *AMSC B*. This part must be acquired from a manufacturing source(s) specified on a source control or selected item drawing as defined by the current version of DoD-STD-100.

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Suitable technical data, Government data rights, or manufacturing knowledge are not available to permit acquisition from other sources, nor qualification testing of another part, nor use of a second source part in the intended application. Although, by DoD-STD-100 definition, altered and selected items shall have an adequate technical data package, data review discloses that required data or data rights are not in Government possession and cannot be economically obtained. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(c) *AMSC C.* This part requires engineering source approval by the design control activity in order to maintain the quality of the part. Existing unique design capability, engineering skills, and manufacturing knowledge by the qualified source(s) require acquisition of the part from the approved source(s). The approved source(s) retain data rights, manufacturing knowledge, or technical data that are not economically available to the Government, and the data or knowledge is essential to maintaining the quality of the part. An alternate source must qualify in accordance with the design control activity's procedures, as approved by the cognizant Government engineering activity. The qualification procedures must be approved by the Government engineering activity having jurisdiction over the part in the intended application. If one source is approved, AMCs 3, 4, or 5 are valid. If at least two sources are approved or if data is adequate for an alternate source to qualify in accordance with the design control activity's procedures, AMCs 1 or 2 are valid.

(d) *AMSC D.* The data needed to acquire this part competitively is not physically available, it cannot be obtained economically, nor is it possible to draft adequate specifications or any other adequate, economical description of the material for a competitive solicitation. AMCS 3, 4, or 5 are valid.

(e) *AMSC E.* (Reserved)

(f) *AMSC F.* (Reserved)

(g) *AMSC G.* The Government has rights to the technical data, the data package is complete, and there are no technical data, engineering, tooling or manufacturing restrictions. (This is the only AMSC that implies that parts are candidates for full and open competition. Other AMSCs such as K, M, N, Q, and S may imply limited competition when two or more independent sources exist yet the technical data package is inadequate for full and open competition.) AMCs 1 or 2 are valid.

(h) *AMSC H.* The Government physically does not have in its possession sufficient, accurate, or legible data to purchase this part from other than the current source(s). This code is applicable only to parts under immediate buy requirements and only for as long thereafter as the deficiency is under review for resolution and appropriate recoding. This code is only assigned at the conclusion of limited screening, and it remains assigned until the full screening process resolves physical data questions and results in assignment of a

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different AMSC. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(i) *AMSC I.* (Not authorized)

(j) *AMSC J.* (Reserved)

(k) *AMSC K.* This part must be produced from class 1 castings and similar type forgings as approved (controlled) by procedures contained in the current version of MIL-STD-2175. If one source has such castings and cannot provide them to other sources, AMCs 3, 4, or 5 are valid. If at least two sources have such castings or they can be provided to other sources AMCs 1 or 2 or valid.

(l) *AMSC L.* The annual buy value of this part falls below the screening threshold established by DoD components and field activities. However, this part has been screened for additional known sources, resulting in either confirmation that the initial source exists or that other sources may supply the part. No additional screening was performed to identify the competitive or noncompetitive conditions that would result in assignment of a different AMSC. This code shall not be used when screening parts entering the inventory. This code shall be used only to replace AMSC O for parts under the established screening threshold. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(m) *AMSC M.* Manufacture of this part requires use of master or coordinated tooling. If only one set of tooling exists and cannot be made available to another source for manufacture of this part, AMCs 3, 4, or 5 are valid. When the availability of existent or refurbishable tooling is available to two or more sources, then AMCs 1 or 2 are valid.

(n) *AMSC N.* Manufacture of this part requires special test and/or inspection facilities to determine and maintain ultra-precision quality for its function or system integrity. Substantiation and inspection of the precision or quality cannot be accomplished without such specialized test or inspection facilities. If the test cannot be made available for the competitive manufacture of the part, the required test or inspection knowledge cannot be documented for reliable replication, or the required physical test or inspection facilities and processes cannot be economically documented in a TDP, valid AMCs are 3, 4, or 5. If the facilities or tests can be made available to two or more competitive sources, AMCs 1 or 2 are valid.

(o) *AMSC O.* The part was not assigned an AMSC when it entered the inventory, nor has it ever completed screening. Use of this code in conjunction with AMC 0 is sometimes necessary but discouraged. Maximum effort to determine the applicability of an alternate AMSC is the objective. Only AMC O is valid.

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(p) *AMSC P*. The rights to use the data needed to purchase this part from additional source(s) are not owned by the Government and cannot be purchased, developed, or otherwise obtained. It is uneconomical to reverse engineer this part. This code is used in situations where the Government has the data but does not own the rights to the data. If only one source has the rights or data to manufacture this item, AMCs 3, 4, or 5 are valid. If two or more sources have the rights or data to manufacture this item, AMCs 1 or 2 are valid.

(q) *AMSC Q*. The Government does not have adequate data, lacks rights to data, or both needed to purchase this part from additional sources. The Government has been unable to economically buy the data or rights to the data, although the part has been undergoing full screening for 12 or more months. Breakout to competition has not been achieved, but current, continuing actions to obtain necessary rights to data or adequate, reprourement technical data indicate breakout to competition is expected to be achieved. This part may be a candidate for reverse engineering or other techniques to obtain technical data. All AMSC Q items are required to be reviewed within the timeframes cited in 2-203(b). If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(r) *AMSC R*. The Government does not own the data or the rights to the data needed to purchase this part from additional sources. It has been determined to be uneconomical to buy the data or rights to the data. It is uneconomical to reverse engineer the part. This code is used when the Government did not initially purchase the data and/or rights. If only one source has the rights or data to manufacture this item, AMCs 3, 4, or 5 are valid. If two or more sources have the rights or data to manufacture this item, AMCs 1 or 2 are valid.

(s) *AMSC S*. Acquisition of this item is restricted to Government approved source(s) because the production of this item involves unclassified but militarily sensitive technology (see FAR Subpart 6.3). If one source is approved, AMCs 3, 4, or 5 are valid. If at least two sources are approved, AMCs 1 or 2 are valid.

(t) *AMSC T*. Acquisition of this part is controlled by qualified products list (QPL) procedures. Competition for this part is limited to sources which are listed on or are qualified for listing on the QPL at the time of award (see FAR Part 9 and DFARS Part 209). AMCs 1 or 2 are valid.

(u) *AMSC U*. The cost to the Government to breakout this part and acquire it competitively has been determined to exceed the projected savings over the life span of the part. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(v) *AMSC V*. This part has been designated a high reliability part under a formal reliability program. Probability of failure would be unacceptable from the standpoint of safety of personnel and/or equipment. The cognizant engineering activity has determined

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that data to define and control reliability limits cannot be obtained nor is it possible to draft adequate specifications for this purpose. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources are available, AMCs 1 or 2 are valid.

(w) *AMSC W.* (Reserved)

(x) *AMSC X.* (Not authorized)

(y) *AMSC Y.* The design of this part is unstable. Engineering, manufacturing, or performance characteristics indicate that the required design objectives have not been achieved. Major changes are contemplated because the part has a low process yield or has demonstrated marginal performance during tests or service use. These changes will render the present part obsolete and unusable in its present configuration. Limited acquisition from the present source is anticipated pending configuration changes. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources exist, AMCs 1 or 2 are valid.

(z) *AMSC Z.* This part is a commercial/nondevelopmental/off-the-shelf item. Commercial item descriptions, commercial vendor catalog or price lists or commercial manuals assigned a technical manual number apply. If one source is available, AMCs 3, 4, or 5 are valid. If at least two sources are available, AMCs 1 or 2 are valid.

### **2-201.3 Contractor technical information codes.**

The following two-digit alpha codes shall be used by contractors, when contractor's assistance is requested. These codes are assigned in accordance with the current version of MIL-STD-789 and shall be considered during the initial assignment of an AMC/AMSC. For spare parts breakout, requirements for contractor assistance through CTIC submission shall be accomplished as stated in Part 4 of this document. Each CTIC submitted by a contractor must be accompanied by supporting documentation that justifies the proposed code. These codes and supporting documentation, transmitted by DD Form 1418, Contractor Technical Information Record, and DD Form 1418-1, Technical Data Identification Checklist, are useful not only for code assignment during acquisition coding conferences, but also for personnel conducting both full and limited screening of breakout candidates. Personnel conducting full and limited screening of breakout candidates should use the supporting documentation provided with CTICs as a source of information. However, they should not allow this information to substitute for careful analysis and further investigation of the possibilities of acquiring a part through competition or by direct purchase. The definitions for CTICs are—

(a) *CTIC CB.* Source(s) are specified on source control, altered item, or selected item drawings/documents. (The contractor shall furnish a list of the sources with this code.)

(b) *CTIC CC.* Requires engineering source approval by the design control activity in

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order to maintain the quality of the part. An alternate source must qualify in accordance with the design control activity's procedures, as approved by the cognizant Government engineering activity.

(c) *CTIC CG*. There are no technical restrictions to competition.

(d) *CTIC CK*. Produced from class 1 castings (see the current version of MIL-STD-2175) and similar type forgings. The process of developing and proving the acceptability of high-integrity castings and forgings requires repetitive performance by a controlled source. Each casting or forging must be produced along identical lines to those that resulted in initial acceptability of the part. (The contractor shall furnish a list of known sources for obtaining castings/forgings with this code.)

(e) *CTIC CM*. Master or coordinated tooling is required to produce this part. This tooling is not owned by the Government or, where owned, cannot be made available to other sources. (The contractor shall furnish a list of the firms possessing the master or coordinated tooling with this code.)

(f) *CTIC CN*. Requires special test and/or inspection facilities to determine and maintain ultra-precision quality for function or system integrity. Substantiation and inspection of the precision or quality cannot be accomplished without such specialized test or inspection facilities. Other sources in industry do not possess, nor would it be economically feasible for them to acquire facilities. (The contractor shall furnish a list of the required facilities and their locations with this code.)

(g) *CTIC CP*. The rights to use the data needed to purchase this part from additional sources are not owned by the Government and cannot be purchased.

(h) *CTIC CV*. A high reliability part under a formal reliability program. Probability of failure would be unacceptable from the standpoint of safety of personnel and/or equipment. The cognizant engineering activity has determined that data to define and control reliability limits cannot be obtained nor is it possible to draft adequate specifications for this purpose. Continued control by the existing source is necessary to ensure acceptable reliability. (The contractor shall identify the existing source with this code.)

(i) *CTIC CY*. The design of this part is unstable. Engineering, manufacturing, or performance characteristics indicate that the required design objectives have not been achieved. Major changes are contemplated because the part has a low process yield or has demonstrated marginal performance during tests or service use. These changes will render the present part obsolete and unusable in its present configuration. Limited acquisition from the present source is anticipated pending configuration changes. (The contractor shall identify the existing source with this code.)

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### **2-202 Assignment of codes.**

The purpose of AMC/AMSC assignments is to provide the best possible technical assessment of how a part can be acquired. The technical assessment should not be based on issues such as: are the known sources actual manufacturers, or are there two actual manufacturers in existence; but rather on factors such as the availability of adequate technical data, the Government's rights to use the data, technical restrictions placed on the hardware (criticality, reliability, special testing, master tooling, source approval, etc.) and the cost to breakout vice projected savings. In cases where there is additional technical information that affects the way a part can be acquired, it should be made available to the contracting officer, with the AMC/AMSC. Concerning the assignment of AMCs and AMSCs, it is DoD policy that—

(a) The assignment of AMC/AMSCs to parts is the responsibility of the DoD component introducing the equipment or system for which the parts are needed in the inventory. Subsequent screening is the responsibility of the DoD component assigned technical responsibility.

(b) When two or more AMSCs apply, the most technically restrictive code will be assigned.

(c) Restricted combinations of AMC/AMSCs are reflected in the AMSC definitions. The Defense Logistics Information Service will reject invalid code combinations, as shown in Exhibit I, submitted for entry into the Federal catalog program (see 2-204.2).

(d) One-time acquisition of a part by a method other than indicated by the code does not require a change to the AMC (e.g., when only one of a number of sources can meet a short delivery date, or when only one manufacturing source is known but acceptable surplus parts are available from other sources).

(e) After the first acquisition under AMC 2 or 4, the AMC shall be recoded 1 or 3 respectively.

(f) Both full and limited screening will result in the assignment or reassignment of an AMC/AMSC. This assignment shall be based on the best technical judgment of breakout personnel and on information gathered during the screening process.

(g) A part need not be coded as noncompetitive based on an initial market survey that only uncovers one interested source. If the Government has sufficient technical data in its possession to enable other sources to manufacture an acceptable part, and there are no technical restrictions on the part that would preclude other sources from manufacturing it, the part should be coded competitive.

### **2-203 Improving part status.**

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(a) *General.* An effective breakout program requires that all reasonable actions be taken to improve the acquisition status of parts. The potential for improvement of the acquisition status will vary with individual circumstances. On one end of the spectrum are those parts with acquisition method suffix codes of a temporary nature requiring vigorous follow-through improvement action (e.g., AMSCs A and H); on the other end are those parts with codes suggesting a relative degree of permanence (e.g., AMSC P). A code assigned to a part should never be considered fixed with respect to either technical circumstance or time; today's technical constraint may be overcome by tomorrow's technology and a contractor's rights to data, so zealously protected today, often become less important with time. The application of breakout improvement effort must always consider individual circumstances and overall benefits expected to be obtained.

(b) *Code suspense dates.* Every part whose breakout status can be improved shall be suspended for rescreening as appropriate. In general, the following codes cannot be improved: 1G, 2G, 1K, 2K, 1M, 2M, 1N, 2N, 1T, 2T, 1Z, or 2Z. The period between suspenses is a period for which an assigned AMC/AMSC is considered active, and routine rescreening of parts with "valid" codes is not required. Suspense dates may vary with the circumstance surrounding each part. A code reached as a result of limited screening (3-304) shall not be assigned a suspense date exceeding 12 months; a code reached as a result of full screening (3-303) shall not be assigned a suspense date exceeding 3 years. In exceptional cases, where circumstances indicate that no change can be expected in a code over an extended period, a suspense date not exceeding 5 years may be assigned in accordance with controls established by the breakout activity. Items with a 1G or 2G code do not require a suspense date.

### **2-204 Communication of codes.**

#### **2-204.1 Communication media.**

Use the Federal catalog program formats, set forth in DoD Manual 4100.39-M, Defense Integrated Data System (DIDS) Procedural Manual, communication media and operating instructions as augmented by this document to disseminate AMCs and AMSCs.

#### **2-204.2 Responsibilities.**

(a) The Defense Logistics Information Service (DLIS) will—

(1) Receive and disseminate AMCs and AMSCs for each national stock number (NSN) to all appropriate Government activities in consonance with scheduled Federal catalog program computer cycles;

(2) Make the AMCs and AMSCs a part of the data bank of NSN item intelligence;

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(3) Perpetuate the codes in all subsequent Federal catalog program transactions; e.g., entry of new NSNs and Federal supply code (FSC) changes; and

(4) Reject invalid code combinations submitted for entry into the Federal catalog program.

(b) DoD activities responsible for the assignment of AMCs and AMSCs will—

(1) Transmit assigned codes for each NSN through normal cataloging channels to DLIS under existing Federal catalog program procedures; and

(2) Notify DLIS by normal Federal catalog program maintenance procedures when a change in coding is made.

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### PART 3—IDENTIFICATION, SELECTION, AND SCREENING OF PARTS

#### **3-300 General.**

This part sets forth procedures for the identification, selection, and screening of parts.

#### **3-301 Identification and selection procedures.**

##### **3-301.1 Parts entering the inventory.**

The breakout process should begin at the earliest possible stage of weapon systems acquisition. Generally, a provisioned part will require subsequent replenishment. Provisioning or similar lists of new parts are, therefore, the appropriate bases for selecting parts for screening. This is not to imply that breakout must be done on all items as part of the provisioning process. Priorities shall be applied to those parts offering the greatest opportunity for breakout and potential savings. The major factors in making this determination are—

- (a) The unit price;
- (b) The projected quantity to be purchased over the part's life cycle; and
- (c) The potential for screening to result in a part being successfully broken out, e.g., item stability, cost, and completeness of technical data, etc.

##### **3-301.2 Annual buy forecasts.**

Annually, lists shall be prepared that identify all parts projected for purchase during the subsequent 12-month period. Priority should be given to those parts with the greatest expected return given their annual buy value, life cycle buy value, and likelihood of successful breakout, given technical characteristics such as design and performance stability and the availability of technical data. Parts with an expired suspense date or a suspense date that will expire during the forecast period (see 2-203(b)), need only be subjected to the necessary steps of the full screening procedure (see 3-303). Parts with a valid code that will not expire during the forecast period need not be screened. Parts coded 00 shall be selected for full screening.

##### **3-301.3 Immediate buy requirements.**

An immediate buy requirement will be identified by the user or the item manager in consonance with department/agency regulations. When an immediate buy requirement meeting the screening criteria (see 1-104(b)) is generated for a part not assigned a current AMC/AMSC, the part shall be promptly screened in accordance with either the full or limited screening procedures (see 3-303 and 3-304).

##### **3-301.4 Suspect AMC/AMSC.**

Whenever an AMC/AMSC is suspected of being inaccurate by anyone, including the

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contracting officer, a rescreening shall be conducted for that part. Suspect codes include codes composed of invalid combinations of AMCs and AMSCs, those which do not truly reflect how a part is actually being acquired, and those suspected of being more restrictive than necessary for the next buy.

### 3-302 Screening.

(a) Screening procedures include consideration and recording of the relevant facts pertaining to breakout decisions. The objective of screening is to improve the acquisition status by determining the potential for competition, or purchase from an actual manufacturer. Consideration of any reasonable approach to establishing competition should be an integral part of the breakout process.

(b) Screening procedures may vary depending on circumstances related to the parts. No set rules will provide complete guidance for making acquisition method decisions under all conditions encountered in actual practice. An informed coding decision can be made without following the procedures step-by-step in every case.

(c) Activities involved in screening are encouraged to develop supplemental procedures that prove effective in meeting this program's objectives. These procedures should be tailored to the particular activity's operating environment and the characteristics of the parts for which it is responsible. Nevertheless, care should be taken in all cases to assure that—

(1) Responsible judgment is applied to all elements involved in the review of a part;

(2) The necessary supporting facts are produced, considered, and recorded in the breakout screening file. The breakout screening file contains technical data and other documents concerning screening of the part;

(3) All cost-effective alternatives are considered for establishing competition, or purchase from an actual manufacturer (see 1-105(d)(6)); and

(4) When possible, the sequence of the review allows for accomplishing several screening steps concurrently.

(d) Contractor participation in the decision making process extends only to providing technical information. This technical information is provided by supporting documentation (DD Forms 1418, Contractor Technical Information Record, and DD Form 1418-1, Technical Data Identification Checklist) which includes the CTIC assignment. Government personnel shall substantiate the breakout decision by reference to the CTIC and by careful review of the supporting documentation. However, the CTIC provides guidance only, and it should be used as one of the inputs to arrive at an acceptable AMC and AMSC coding.

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(e) Contractor's technical information furnished in accordance with MIL-STD-789 may indicate areas requiring additional research by the Government before screening can be completed. Seldom will industry's contribution to the screening process enable the Government to assign an AMC or AMSC without additional review.

(f) During the screening process, it may be appropriate to communicate with industry, particularly potential manufacturers of a part, to determine the feasibility of establishing a competitive source and to estimate the costs and technical risks involved.

(g) Coding conferences with industry shall be documented.

(h) Screening may disclose that a part is not suitable for competitive acquisition, but it may be possible to break out the part for direct purchase from the actual manufacturer or to establish a second source. Parts particularly suited to direct purchase are those where neither the design control activity nor the prime contractor contribute additional value or whose data belong to the actual manufacturer and will not be acquired by the Government, and where that manufacturer exercises total responsibility for the part (design and quality control, testing, etc.), and where additional operations performed by the prime contractor can be performed by the actual manufacturer or by the Government.

(i) For each part that is screened, a file shall be established to document and justify the decisions and results of all screening effort (see 1-105(d)(6)).

(j) Full and limited screening procedures are two elements of breakout programs. Other spare parts initiatives to enhance breakout are reverse engineering, bailment, data rights challenges, and publication of intended buy lists. Integration of other initiatives within the screening processes developed at each activity is encouraged.

### **3-303 Full screening procedures.**

(a) Full screening procedures should be developed so that the potential is fully evaluated for establishing competition or purchase from an actual manufacturer. Also, full screening procedures should facilitate accurate and consistent acquisition method code assignment. It is expected that each activity will develop its own operational screening procedures. A general model, full screening decision process is provided below to support the development of activity level procedures and to provide guidance regarding the general scope of these procedures. The full screening procedures involve 65 steps in the decision process, and are divided into the following phases:

- (1) Data collection.
- (2) Data evaluation.

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- (3) Data completion.
- (4) Technical evaluation.
- (5) Economic evaluation.
- (6) Supply feedback.

(b) The six phases describe different functions that must be achieved during screening. The nature of the screening process does not permit clear distinction of one phase from another. Further, the order of performance of these phases may not correspond to the order listed here. In fact, the phases will often overlap and may be performed simultaneously. Their purpose is to identify the different functions comprising the screening process.

(c) A summary flow chart of the decision steps is provided as Exhibit II to assist in understanding the logical order of the full screening steps for various conditions. Use of the flow chart in connection with the text that follows is essential to fully understand the order of the steps in the process.

### **3-303.1 Data collection phase (step 1).**

(a) Assemble all available data and establish a file for each part. Collect identification data, relevant data obtained from industry, contracting and technical history data and current status of the part, including—

- (1) Normal identification required for cataloging and standardization review;
- (2) All known sources;
- (3) Historical contracting information, including the more recent awards, date of awards, and unit price(s) for the quantities prescribed;
- (4) Identification of the actual manufacturer(s), the latest unit price, and the quantity on which the price is based. (When the actual manufacturer is not the design control activity, the design control activity may be consulted to ensure the latest version of the item is being procured from the actual manufacturer);
- (5) Identification of the activity, Government or industry, having design control over the part and, if industry, the cognizant Government engineering activity;
- (6) The expected life in the military supply system;

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- (7) Record of any prior review for breakout, with results or findings; and
- (8) Annual demand.

(b) In the case of complex items requiring large numbers of drawings, collection of a reasonable technical data sample is sufficient for the initial technical data evaluation phase (steps 2-14).

### 3-303.2 Data evaluation phase (steps 2-14).

(a) Data evaluation is crucial to the whole review procedure. It involves determination of the adequacy of the technical data package and the Government's rights to use the data for acquisition purposes.

(b) The data evaluation process may be divided into two stages:

(1) A brief but intensive analysis of available data and documents regarding both technical matters and data rights, leading to a decision whether to proceed with screening; and

(2) If the decision is to proceed with screening, further work is necessary to produce an adequate technical data package, such as research of contract provisions, engineering work on data and drawings, and requests to contractors for additional data.

(c) The steps in this phase are—

(1) *Step 2.* Are full Government rights established by the available data package? Evidence for an affirmative answer would include the identification of Government drawings, incorporation by reference of Government specifications or process descriptions in the public domain, or reference to contract provisions giving the Government rights to data. If the answer is negative, proceed to step 3; if positive, proceed to step 6.

(2) *Step 3.* Are the contractor's limitations of the Government's rights to data established by the available data package?

(i) The questions in step 2 and 3 are not exclusive. The incorporation in a drawing of contract provisions reserving rights to the manufacturer, either in the whole design or in certain manufacturing processes, would establish a clear affirmative answer to step 3 where there is substantiating Government documentation. Parts not in this group shall be retained for further processing (see step 20). Data rights that cannot be substantiated shall be challenged (see DFARS Part 227, validation procedures).

(ii) In the case of clear contractor ownership of rights, proceed with steps 4 and

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5.

(3) *Step 4.* Are there bases for competitive acquisition without using data subject to limitations on use? This question requires consideration, for example, of the possibility of using performance specifications or substitution of military or commercial specifications or bulletins for limited elements of the manufacturing process. The use of sample copies is another possibility.

(4) *Step 5.* Can the Government buy the necessary rights to data? This is a preliminary question to the full analysis (in steps 20 and 21 below) and is designed primarily to eliminate from further consideration those items which incorporate established data restrictions and for which there are no other bases for competitive acquisition nor is purchase of rights possible or feasible.

(5) *Steps 6 and 7.* Is the present technical data package adequate for competitive acquisition of a reliable part?

(6) *Steps 8 and 9.* Specify omissions. The question in steps 6 and 7 requires a critical engineering evaluation and should deal first with the physical completeness of the data--are any essential dimensions, tolerances, processes, finishes, material specifications, or other vital elements of data lacking from the package? If so, these omissions should be specified. A second element deals with adequacy of the existing package to produce a part of the required performance, compatibility, quality, and reliability. This will, of course, be related to the completeness of data. In some cases, qualified engineering judgment may decide that, in spite of apparently complete data, the high performance or other critical characteristics of the item require retention of the present source. If such decision is made, the file shall include documentation in the form of specific information, such as difficulties experienced by the present manufacturer in producing a satisfactory item or the existence of unique production skills in the present source.

(7) *Steps 10 and 11.* Can the data be developed to make up a reliable technical data package? This implies a survey of the specified omissions with careful consideration to determine the resources available to supply each missing element. Such resources will vary from simple referencing of standard engineering publications to more complex development of drawings with the alternatives of either obtaining such drawings or developing performance specifications. In some cases, certain elements of data are missing because they have been properly restricted. If, however, there has been no advance substantiation of the right to restrict, the part should be further researched. If the answer to this question is negative, proceed to step 12; if positive, proceed to step 13 or 14.

(8) *Step 12.* If the answer to the question in steps 10 and 11 is no, which condition is the prime element in this decision, the lack of data or the unreliability of the data? Specific documentation is needed to support this decision.

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(9) *Step 13 and 14.* Estimate the time required to complete the data package. In those cases where the data package is found inadequate and specific additions need to be developed, an estimate of the time required for completion must be made in order to determine if breakout of the part is feasible during this review cycle and to estimate at what point in the remaining life of the part the data package could be available.

### **3-303.3 Data completion phase (steps 15-21).**

(a) The data completion phase involves acquiring or developing the missing elements of information to reach a determination on both adequacy of the technical data package and the restriction of rights to data. It may involve various functional responsibilities, such as examination of past contracts, queries directed to industry or to other Government agencies, inspection of the part, reverse or other engineering work to develop drawings and write specifications, arrangements with the present source for licensing or technical assistance to new manufacturers, and negotiations for purchase of rights to data. Additional research and information requests should be expeditiously initiated on those parts where there is a reasonable expectation of breakout. Because this phase is time-consuming, it should take place concurrently with other phases of the review.

(b) At the beginning of the data completion phase, the part falls into one of the following four steps:

(1) *Step 15.* The data package is complete and adequate and the Government has sufficient rights for acquisition purposes. Such parts require no further data analysis. Proceed to step 22.

(2) *Step 16.* The Government has rights to existing data. The data package is incomplete but there is a reasonable expectation that the missing elements can be supplied. Proceed to step 19.

(3) *Step 17.* The data package is complete, but suitable Government rights to the data have not been established. Proceed to step 20.

(4) *Step 18.* Neither rights nor completeness of data is adequately established; therefore, the part requires further research. Proceed to step 20.

(c) *Step 19.* Obtain or develop the necessary data for a suitable data package. Reverse engineering to develop acquisition data may be used if there is a clear indication that the costs of reverse engineering will be less than the savings anticipated from competitive acquisition. If there is a choice between reverse engineering and the purchase of data (step 21), the decision shall be made on the basis of relative costs, quality, time, and other pertinent factors.

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(d) *Step 20.* Establish the Government's and contractor's rights to the data. Where drawings and data cannot be identified to a contract, the following guidelines should be applied:

(1) Where drawings and data bear legends that warn of copyright or patent rights, the effect of such legends shall be resolved according to law and policy; however, the existence of patent or copyright restrictions does not per se preclude securing competition with respect to the parts described (see FAR Subpart 27.3/DFARS Subpart 227.3).

(2) If the technical data bears legends that limit the Government's right to use the data for breakout and it is determined that reasonable grounds exist to question the current validity of the restrictive markings, the contracting officer will be notified to initiate the validation procedures at DFARS Subpart 227.4.

(3) Where drawings and data are unmarked and, therefore, free of limitation on their use, they shall be considered available for use in acquisition, unless the acquiring office has clear evidence to the contrary (see DFARS Subpart 227.4).

(4) The decision process in situations described in paragraphs (d)(1), (2), and (3) of this subsection requires the exercise of sound discretion and judgment and embraces legal considerations. In no case shall a decision be made without review and approval of that decision by legal counsel.

(5) If the validation procedures in paragraph (d)(2) of this subsection establish the Government's right to use the data for breakout, the Government shall attempt to obtain competition pursuant to the decisions resulting from concurrent technical and economic evaluation.

(e) *Step 21.* If restrictions on the use of data are established, determine whether the Government can buy rights to the required data. Use the procedure in DFARS Subpart 227.4.

### **3-303.4 Technical evaluation phase (steps 22-37).**

(a) *Introduction.*

(1) The purposes of technical evaluation are to determine the development status, design stability, high performance, and/or critical characteristics such as safety of personnel and equipment; the reliability and effective operation of the system and equipment in which the parts are to be used; and to exercise technical judgment as to the feasibility of breaking out the parts. No simple and universal rules apply to each determination. The application of experience and responsible judgment is required. Technical considerations arise in

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several elements of the decision process, e.g., in determining adequacy of the data package (steps 6-14).

(2) Certain manufacturing conditions may reduce the field of potential sources. However, these conditions do not justify the restriction of competition by the assignment of restrictive AMCs for the following reasons:

(i) Parts produced from class 1 castings and similar type forgings. The process of developing and providing the acceptability of high-integrity castings and forgings requires repetitive performance by a controlled source for each casting or forging along identical lines to those which result in initial acceptability of the item. The particular manufacturer's process becomes the controlling factor with regard to the acceptability of any such item. However, other firms can produce class 1 castings and similar type forgings and provide the necessary inspection, or the part may be acquired from other sources that use castings or forgings from approved (controlled) source(s).

(ii) Parts produced from master or coordinated tooling, e.g., numerically controlled tapes. Such parts have features (contoured surfaces, hole locations, etc.) delineated according to unique master tooling or tapes and are manufactured to minimum/maximum limits and must be replaceable without additional tailoring or fitting. These parts cannot be manufactured or configured by a secondary pattern or jigs independent of the master tooling and cannot be manufactured to requisite tolerances of fit by use of commercial precision machinery. In this context, jigs and fixtures used only for ease of production are not considered master tooling. However, master tooling may be reproduced.

(iii) Parts requiring special test and/or inspection facilities to determine and maintain ultra-precision quality for the function or system integrity. Substantiation and inspection of the precision or quality cannot be accomplished without specialized test or inspection facilities. Testing is often done by the actual manufacturer under actual operating use. However, such special test inspection facilities may be available at other firms.

(b) *Design procedures (steps 22-31).*

(1) *Step 22.* Will a design change occur during anticipated lead time? If affirmative, proceed to step 23; if negative, proceed to step 24.

(2) *Step 23.* Specify the design change and assign an appropriate code.

(3) *Step 24.* Is a satisfactory part now being produced? Concurrently with the research and completion of data, a technical determination is required as to the developmental status of the part. With the frequent telescoping of the development/production cycle as well as constant product improvement throughout the

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active life of equipment, parts are frequently subject to design changes. The present source, if a prime contractor, is usually committed to incorporate the latest changes in any deliveries under a production order. In considering the part for breakout, an assessment must be made of the stability of design, so that in buying from a new source the Government will not be purchasing an obsolete or incompatible part. The question of obsolescence or noncompatibility is to some extent under Government control. Screening for breakout on parts that are anticipated to undergo design change should be deferred until design stability is attained.

(4) *Step 25.* Can a satisfactory part be produced by a new source? Determine whether technical reasons prohibit seeking a new source. The fact that the present source has not yet been able to produce a satisfactory part (step 24) does not preclude another source from being successful. If the answer to steps 24 or 25 is affirmative, proceed simultaneously to steps 27 and 38. If the answer to step 25 is negative, proceed to step 26.

(5) *Step 26.* If the present source is producing an unsatisfactory part, but technical reasons prohibit seeking a new source, specify the reasons.

(6) *Step 27.* Does the part require prior qualification or other approval testing? If the answer is positive, proceed to step 28; if negative, proceed to step 32.

(8) *Step 28.* Specify the requirement.

(9) *Step 29.* Estimate the time required to qualify a new source.

(10) *Step 30.* Is there currently a qualified source?

(11) *Step 31.* Who is responsible for qualifications of the subcontractor, present prime contractor, the Government, or an independent testing agency?

(i) If a qualified source is currently in existence, the review should consider who will be responsible for qualification in the event of competitive acquisition. If qualification testing is such that it can be performed by the selected source under a preproduction or first article clause in the contract, the costs of initial approval should be reflected in the offers received. If the part requires initial qualification tests by some other agency such as the present prime contractor, the Government, an independent testing agent outside the Government, or by technical facilities within the departments, out-of-pocket costs may be incurred if the part is competed. An estimate of qualification costs should then be made and recorded in such cases.

(ii) Where facilities within the Government are not adequate for testing or qualification, or outside agencies such as the equipment contractor cannot or will not do the job, the economics of qualification may be unreasonable, and a narrative statement of

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these facts should replace the cost estimate. Whenever possible, such as in the case of engine qualification tests, economy of combined qualification tests should be considered.

(c) *Quality assurance procedures (steps 32-33)*. Quality control and inspection is a primary consideration when making a decision to breakout. Where the prime contractor performs quality assurance functions beyond those of the part manufacturer or other sources, the Government may—

(1) Develop the same quality control and inspection capability in the manufacturer's plant;

(2) Assume the responsibility for quality; or

(3) Undertake to obtain the quality assurance services from another source, possibly the prime contractor.

(4) *Step 32*. Who is now responsible for quality control and inspection of the part?

(5) *Step 33*. Can a new source be assigned responsibility for quality control? Is the level of the quality assurance requirements specified in the system contract necessary for the screened part? The minimum quality assurance procedures for each part shall be confirmed.

(i) A new source shall be considered if—

(A) Any essential responsibility (e.g., burn-in, reliability, maintainability) retained by the prime contractor for the part and its relationship to the end item can be eliminated, shifted to the new source, or assumed by the Government;

(B) The prime contractor will provide the needed quality assurance services;

(C) The Government can obtain competent, impartial services to perform quality assurance responsibility; or

(D) The new source can maintain an adequate quality assurance program, inspection system, or inspection appropriate for the part.

(ii) If the prime contractor has responsibility for quality that a new source cannot assume or obtain, or that the Government cannot undertake or eliminate, consideration of the new source is precluded.

(d) *Tooling procedures (steps 34-37)*.

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(1) *Step 34.* Is tooling or other special equipment required?

(2) *Step 35.* Specify the type of tooling.

(3) *Step 36.* Estimate additional acquisition leadtime for setup and for tooling.

(4) *Step 37.* Does the Government possess this tooling? If tooling or special equipment is required for production of the part, the types and quantities should be specified. Investigation can then be made as to whether the Government possesses such tooling and can make it available to a new source. A requirement for special tooling is not necessarily a deterrent to competitive solicitation for parts. The Government may find it desirable to purchase the needed tooling and furnish it to the new source. In this case, the costs can be determined with reasonable accuracy. However, if new sources can provide the tooling or special equipment, this will be reflected in competitive prices and should not normally require further analysis.

### **3-303.5 Economic evaluation phase (steps 38-56).**

(a) Economic evaluation concerns identification and estimation of breakout savings and direct cost offsets to breakout. The economic evaluation phase is composed of the three segments detailed in paragraphs (b) through (d) of this subsection.

(b) *Development of savings data (steps 38-40).*

(1) *Step 38.* Estimate remaining program life cycle buy value.

(2) *Step 39.* Apply either a savings factor of 25 percent or one determined under local conditions and experience.

(3) *Step 40.* Multiply the remaining program life cycle buy value by the savings factor to obtain the expected future savings, if the part is coded for breakout.

(c) *Computation of breakout costs (steps 41-47).* Several groups of costs must be collected, summarized and compared to estimated savings to properly determine the economics of breakout. These costs include—

(1) Direct costs (steps 41-45). Direct costs of breakout normally include all expenditures that are direct and wholly identifiable to a specific, successful breakout action, and that are not reflected in the part unit price. Examples of direct costs include Government tooling or special test equipment, qualification testing, quality control expenses, and industry participation costs (such as completion of the Contractor Technical Information Data Record) if borne by the Government.

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- (i) *Step 41.* Estimate the cost to the Government for tooling or special equipment.
- (ii) *Step 42.* Estimate the cost, if any, to the Government for qualifying the new source.
- (iii) *Step 43.* Estimate the cost, if any, to the Government for assuring quality control, or the cost of contracting for quality control.
- (iv) *Step 44.* Estimate the cost to the Government for purchasing rights to data.
- (v) *Step 45.* Add estimated total direct costs to the Government to breakout the item.

### (2) Performance specification costs (steps 46-47).

- (i) *Step 46.* Is the breakout candidate constructed to a performance specification?
- (ii) *Step 47.* If the answer is yes in step 46, add performance specification breakout cost estimate elements to the result of step 45. The addition of an unknown number of nonstocked parts that must be stocked by the supply system for repairs is a significant element of cost associated with the decision to compete a performance specification assembly. (The same situation does not arise with respect to a design specification assembly, since virtually all spare parts used to repair such an assembly are essentially identical to parts already in the assembly.) The cost of introducing these nonstocked parts into the system includes—
  - (A) Additional catalog costs. The number of nonstocked parts forecasted to be in the competed assembly, multiplied by the variable cost of cataloging per line item.
  - (B) Additional bin opening costs. The number of nonstocked parts forecasted to be in the competed assembly, multiplied by the variable cost of a bin opening at each of the locations where the part is to be stocked.
  - (C) Additional management costs. The number of nonstocked parts forecasted to be in the competed assembly, multiplied by the variable cost of management per line item.
  - (D) Additional technical data costs. The cost of a new set of technical data for the competed assembly, including the variable expenses of its production, reproduction, and distribution.

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(E) Additional repair tools and test equipment costs. The costs of additional special tools and test equipment not otherwise required by the existing assembly.

(F) Additional logistics support costs. The costs associated with the new item such as spare and repair parts, technical manuals, and training.

(d) *Comparison of savings and costs (steps 48-56)*. Compare estimated breakout costs to forecasted breakout savings. If costs exceed estimated savings, it will be uneconomical to compete the part. Performance specification parts should be analyzed to ensure that pertinent breakout costs have been considered and, if it is not economical to breakout the part, whether an appropriate detailed design data package reduces costs sufficiently to make breakout economical.

(1) *Step 48*. Compare total costs of breakout (step 47) to estimated savings (step 40).

(2) *Step 49*. Are costs of breakout greater or less than estimated savings? If greater, proceed to step 50; if yes, proceed to step 51.

(3) *Step 50*. Is the breakout candidate constructed to a performance specification? If no, proceed to step 54; if yes, proceed to step 57.

(4) *Step 51*. Is it appropriate to obtain a detailed design data package? If yes, proceed to step 52; if no, proceed to step 54. The decision to change a performance specification part to a detailed design part obviously requires a critical engineering examination of the part itself, as well as a review of the impact such a change might have on the operational effectiveness of the system in which the equipment is to be employed. Acquisition of a performance specification part by a subsequently acquired design specification subjects the Government to the additional hazard of losing the money paid for the development of the design specification, should the design be altered during the contracting leadtime period. Accordingly, the engineering evaluation should closely review design stability over the anticipated contracting leadtime in order to avoid acquiring an obsolete or nonstandard part if the decision is made to compete it.

(5) *Step 52*. Add the estimated cost of obtaining a detailed design data package to the results of step 45.

(6) *Step 53*. If the results of step 52 are less than the estimated savings, initiate action to obtain a detailed design data package. Proceed to step 54 to code the part for a period until it can be rescreened using the design specification package. The code determined in this screening shall be assigned a suspense date commensurate with the leadtime required to obtain the detailed design data package (see 2-203(b)).

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(7) *Step 54.* Is the part manufactured by the prime contractor? If yes, code the part AMC 3; if no, proceed to step 55.

(8) *Step 55.* Can the part be acquired directly from the actual manufacturer? If no, proceed to step 56; if yes, code the part AMC 3 or 4, as applicable.

(9) *Step 56.* Specify the reasons for inability to obtain the part from the actual manufacturer. Code the part AMC 5.

### **3-303.6 Supply feedback phase (steps 57-65).**

(a) The supply feedback phase of the analysis is the final screening phase for breakout parts. This phase is completed for all AMC 2 parts to determine if sufficient time is available to break out on the immediate buy and to communicate this information to the inventory manager responsible for the requirement. First, all additional time factors required to break out the part are added. Total time is subtracted from the immediate and future buy date and the result compared to the current date. (Note: Not all time factors listed apply to each part screened.) If the result is the same or earlier than the required contract date, the part is coded competitive and action is begun to qualify additional sources as necessary. If the result is later than the required contract date, action to compete the immediate buy quantity should be initiated if the inventory manager can find some means of accepting later delivery. If this is impossible, the appropriate records should be annotated for competitive acquisition of the next replenishment buy quantity. If late delivery is acceptable, the inventory manager should compute requirements for the part and initiate an appropriate purchase requisition.

(b) *Procedures.*

(1) *Step 57.* Add all additional time factors required to break out the part (steps 13, 14, 29, and 36).

(2) *Step 58.* Add the results of step 57 to the date of this review.

(3) *Step 59.* Compare the result of step 58 to the date that the contract or order must be placed.

(4) *Step 60.* Is the result of step 59 earlier than, later than, or the same as the contract or order date? (If earlier or the same, proceed to step 61; if later, proceed to step 63.)

(5) *Step 61.* Can supply accept late delivery? If yes, proceed to step 62; if no, proceed to step 63.

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(6) *Step 62.* Notify the inventory manager to compute requirements and initiate a purchase requisition. Proceed to step 64.

(7) *Step 63.* Code the part AMC 2. Insufficient time to compete on this buy.

(8) *Step 64.* Code the part AMC 2.

(9) *Step 65.* Begin actions to qualify new sources, if required and possible.

### **3-304 Limited screening procedures.**

(a) Limited screening procedures are only appropriate when the full screening process cannot be completed for a part in sufficient time to support an immediate buy requirement. If limited screening does not result in a competitive AMC and the part is characterized by a high buy value and high buy quantity in the annual buy forecast, full screening procedures shall be immediately initiated.

(b) Limited screening procedures cover only the essential points of data and technical evaluations more completely described in full screening procedures (see 3-303). Extensive legal review of rights or technical review of data is not required; nor is backup information on type and extent of qualification testing, quality control procedures and master tooling required. A summary flow chart of the limited screening decision steps is provided at Exhibit III.

(c) The limited screening decision steps are followed sequentially if the answer to the question in each step is affirmative. If any step is answered in the negative, proceed directly to step 10.

(1) *Step 1.* Assemble all available data and establish a file for each part. Collect identification data, relevant data obtained from industry, contracting and technical history data and current status of the part (see 3-303.1).

(2) *Step 2.* Do the available documents establish Government rights to use the data for acquisition purposes? If the Government's rights to use data in its possession is questionable, resolution of the rights must continue beyond award of the immediate buy.

(3) *Step 3.* Is the data package sufficient, accurate, and legible? If the Government does not have in its possession sufficient, accurate, or legible data, action shall be promptly initiated to resolve the deficiency for the next buy.

(4) *Step 4.* Is the design of the part stable over the anticipated acquisition lead time?

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(5) *Step 5.* Is a satisfactory part now being produced?

(6) *Step 6.* Can the part be acquired from a new source without prior qualification testing or other approval testing?

(7) *Step 7.* Can the Government or a new source be responsible for quality assurance?

(8) *Step 8.* Can the part be manufactured without master or coordinated tooling or other special equipment; if no, is there more than one source that has the tooling or special equipment?

(9) *Step 9.* Assign AMC 2. Proceed to step 11.

(10) *Step 10.* Assign AMC 3, 4, or 5, as appropriate.

(11) *Step 11.* Establish the date of the next review (see 1-104(c) and 2-203(b)).

### **PART 4--CONTRACTOR'S ASSISTANCE**

#### **4-400 General.**

(a) Contractor's assistance in screening shall be requested on provisioned and replenishment parts after consideration of the benefit expected from the contractor's technical information and the cost to the Government of obtaining such assistance.

(b) Contractor's assistance shall not be requested for parts covered by Government/industry specifications, commercially available parts or parts for which data is already available.

(c) Arrangements entered into with contractors to obtain technical information shall provide that—

(1) Contractors will exert their best effort to make impartial technical evaluations using applicable technical data and the experience of competent personnel; and

(2) No costs to the Government will be incurred for duplicate screening of parts.

#### **4-401 Contractor's technical evaluation procedures.**

(a) Contractor's technical evaluation for the screening process shall be required contractually by incorporating MIL-STD-789, which delineates the contractor's responsibilities and procedures and prescribes use of the contractor DD Form 1418,

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Technical Information Record, and the DD Form 1418-1, Technical Data Identification Checklist, a copy of each document listed on DD Form 1418-1, and other substantive data that was used in developing the contractor's recommendations.

(b) When MIL-STD-789 is incorporated in a contract, the DD Form 1423, Contract Data Requirements List, shall specify the requirement for the submission of DD Form 1418, Technical Information Record, and DD Form 1418-1, Technical Data Identification Checklist, in accordance with MIL-STD-789.

### PART 5--REPORTING SYSTEM

#### 5-500 General.

This part prescribes reports regarding the breakout program that cannot be obtained from other sources. These reports are used to evaluate the effectiveness of breakout programs, establish a baseline for all spare part acquisitions, and identify trends in spare parts acquisition.

#### 5-501 Reports.

(a) *Spare Parts Breakout Screening Report (RCS DD P&L(Q&SA)714A)*. This is a cumulative semi-annual report reflecting the accomplishments of the breakout program. The report describes the results of full and limited screening for provisioning and replenishment parts by number of different NSNs for each AMC. Departments and agencies shall also maintain actual cost data attributable to the Spare Parts Breakout Program which shall be forwarded on this report semi-annually.

(b) *Spare Parts Acquisition Report (RCS DD P&L(Q&SA) 714B)*. This is a cumulative semi-annual report for all purchases made of spare parts during the current fiscal year. This report describes the number and extended dollar value of different NSNs purchased for each AMC. Departments and agencies shall also maintain actual savings (or cost avoidance) data attributable to the Spare Parts Breakout Program which shall be forwarded on this report semi-annually. Because of extraneous factors such as contracting leadtimes and changes in spare parts requirements, this report will not always reflect the acquisition of the parts screened during a reporting period (contained on the Spare Parts Breakout Screening Report). Also, it will not show in all instances how the part was actually acquired. This report is intended to be an indication of the success of the breakout program, and designed to show trends in the coding and data available to buyers in the acquisition package.

#### 5-502 Reporting procedures.

(a) Departments and agencies shall maintain and forward semi-annual reports. The second semi-annual report in a fiscal year shall reflect cumulative totals for the current fiscal

# DFARS Procedures, Guidance, and Information

## PGI 217—Special Contracting Methods

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year using the formats in Exhibits IV and V.

(b) The reports will be due no later than 45 days after the end of each period designated.

(c) Submissions will be made to the Under Secretary of Defense (Acquisition, Technology, and Logistics).

### 5-503 Reporting instructions.

(a) *Spare parts breakout screening report.* Using the format in Exhibit IV, provide the following—

(1) Enter reporting activity name, fiscal year, and period ending.

(2) For each AMC/AMSC listed, enter the number of different NSNs for which screening was completed during the period. Show zeros where applicable. This should be done for both full and limited screening.

(3) Report the total costs of the breakout program incurred for the period. Although this will be primarily labor costs, it should also include appropriate prorated costs of ADP services, office overhead, data retrieval service costs, etc. (see 3-303.5).

(b) *Spare parts acquisition report.* Using the format in Exhibit V, provide the following:

(1) Enter reporting activity name, fiscal year, and period ending.

(2) For each AMC/AMSC listed, enter the number of different NSNs purchased during the current fiscal year and their extended dollar value.

(3) Report the actual breakout program savings or cost avoidances as measured by completed acquisition (not anticipated acquisitions). Price differentials should be measured on each acquisition where a breakout action has taken place. They should equal the difference between the previous contract unit price and the current contract unit price, times the number of units purchased.

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### EXHIBIT I--VALID AMC/AMSC COMBINATIONS

Acquisition Method Code (AMC)						
AMSC	0	1	2	3	4	5
A	X	o	o	o	o	o
B	X	o	o	o	o	o
C	X	o	o	o	o	o
D	X	X	X	o	o	o
G	X	o	o	X	X	X
H	X	o	o	o	o	o
K	X	o	o	o	o	o
L	X	o	o	o	o	o
M	X	o	o	o	o	o
N	X	o	o	o	o	o
O	o	X	X	X	X	X
P	X	o	o	o	o	o
Q	X	o	o	o	o	o
R	X	o	o	o	o	o
S	X	o	o	o	o	o
T	X	o	o	X	X	X
U	X	o	o	o	o	o
V	X	o	o	o	o	o
Y	X	o	o	o	o	o
Z	X	o	o	o	o	o

o = VALID COMBINATION  
X = INVALID COMBINATIONS

# DFARS Procedures, Guidance, and Information

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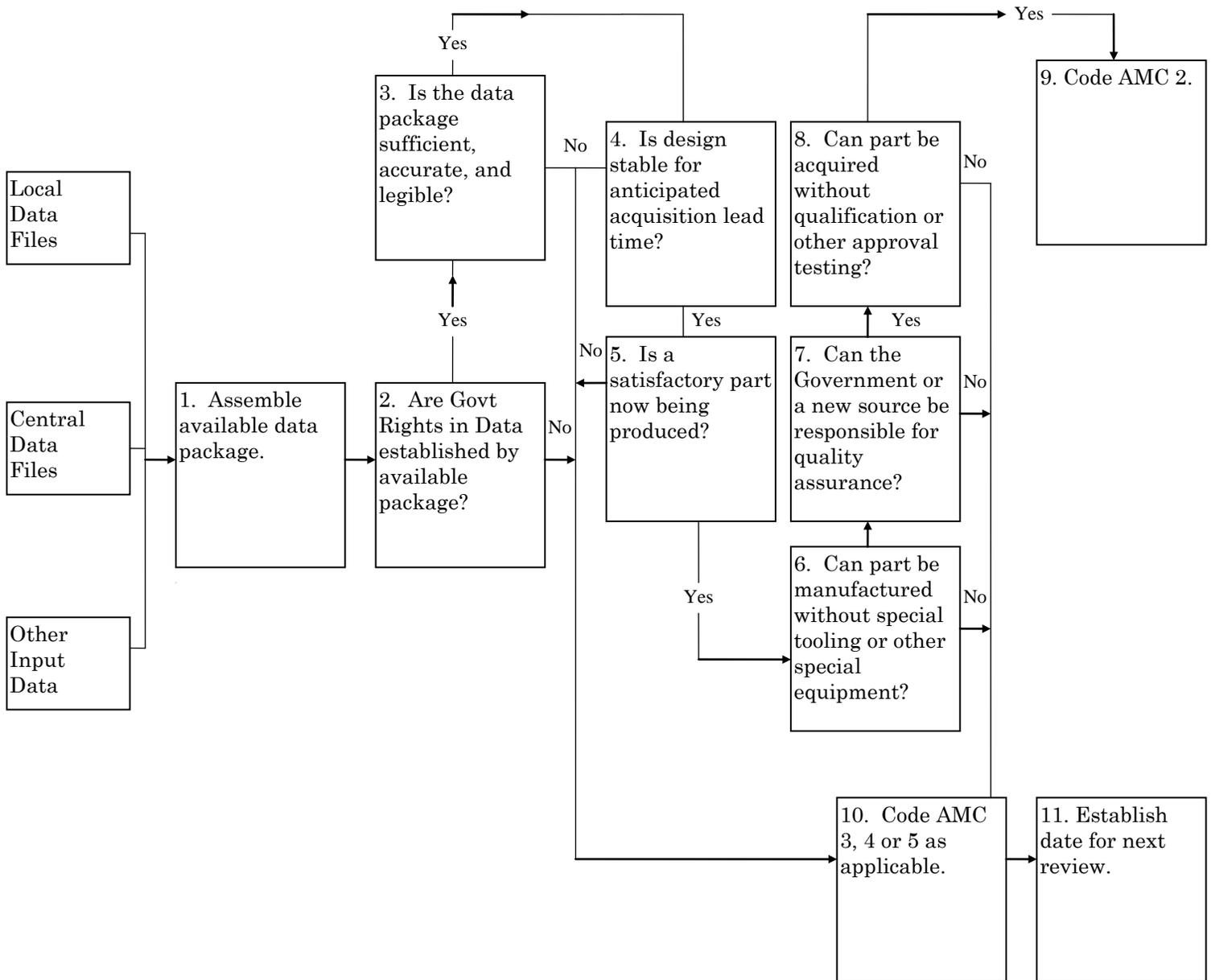
### EXHIBIT II--FULL SCREENING DECISION PROCESS SUMMARY FLOW CHART

NOTE: Copies of Exhibit II can be obtained from: Defense Acquisition Regulations System, OUSD(AT&L) DPAP/DARS, 3062 Defense Pentagon, Washington, DC 20301-3062; facsimile (703) 602-0350; e-mail: [osd.pentagon.ousd-atl.mbx.dfars@mail.mil](mailto:osd.pentagon.ousd-atl.mbx.dfars@mail.mil).

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### EXHIBIT III—LIMITED SCREENING DECISION PROCESS SUMMARY FLOW CHART



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## PGI 217—Special Contracting Methods

### EXHIBIT IV--SPARE PARTS BREAKOUT SCREENING REPORT

SPARE PARTS BREAKOUT SCREENING REPORT			
Report Activity _____	Fiscal Year _____	Period Ending _____	
NUMBER OF NSNs			
AMC/AMSC	LIMITED SCREENING	FULL SCREENING	TOTAL SCREENING
*1G Only			
1			
**2G Only			
2			
3			
4			
5			
<b>TOTAL</b>			
SPARE PARTS BREAKOUT PROGRAM COSTS \$ _____			
* Excluded from AMC 1 data			
** Excluded from AMC 2 data			

# DFARS Procedures, Guidance, and Information

## PGI 217—Special Contracting Methods

### EXHIBIT V—SPARE PARTS ACQUISITION REPORT

SPARE PARTS ACQUISITION REPORT		
Report Activity _____	Fiscal Year _____	Period Ending _____
<b>PURCHASE MADE</b>		
<b>AMC/AMSC</b>	<b>NUMBER OF NSNs</b>	<b>EXTENDED DOLLAR VALUE</b>
<b>*1G Only</b>		
1		
<b>**2G Only</b>		
2		
3		
4		
5		
<b>TOTAL</b>		
	<b>SPARE PARTS BREAKOUT PROGRAM SAVINGS OR COST AVOIDANCES</b>	
	\$ _____	
* Excluded from AMC 1 data		
** Excluded from AMC 2 data		

# DFARS Procedures, Guidance, and Information

## PGI 222—Labor Laws

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*(Revised September 9, 2013)*

### **PGI 222.74—RESTRICTIONS ON THE USE OF MANDATORY ARBITRATION AGREEMENTS**

#### **PGI 222.7404 Waiver.**

(c) Requests for waivers to the policy at DFARS [222.7402](#) must be submitted to the Secretary of Defense through Contract Policy and International Contracting of Defense Procurement and Acquisition Policy, OUSD(AT&L) DPAP/CPIC at 3060 Defense Pentagon, Room 5E621, Washington, D.C. 20301-3060. Requests for waivers may be submitted electronically to the following CPIC email address: [osd.pentagon.ousd-atl.mbx.cpic@mail.mil](mailto:osd.pentagon.ousd-atl.mbx.cpic@mail.mil). Include “Waiver-Mandatory Arbitration” in the subject line of the message.

# DFARS Procedures, Guidance, and Information

## PGI 225—Foreign Acquisition

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*(Revised September 9, 2013)*

### PGI 225.70—AUTHORIZATION ACTS, APPROPRIATIONS ACTS, AND OTHER STATUTORY RESTRICTIONS ON FOREIGN ACQUISITION

#### PGI 225.7002 Restrictions on food, clothing, fabrics, and hand or measuring tools.

##### PGI 225.7002-1 Restrictions.

(a)(2)(A) The following are examples, not all-inclusive, of Federal Supply Classes that contain items of clothing:

(1) Clothing apparel (such as outerwear, headwear, underwear, nightwear, footwear, hosiery, or handwear) listed in Federal Supply Class 8405, 8410, 8415, 8420, 8425, 8450, or 8475.

(2) Footwear listed in Federal Supply Class 8430 or 8435.

(3) Hosiery, handwear, or other items of clothing apparel, such as belts and suspenders, listed in Federal Supply Class 8440 or 8445.

(4) Badges or insignia listed in Federal Supply Class 8455.

(B) The Federal Supply Classes listed in paragraph (a)(2)(A) of this subsection also contain items that are not clothing, such as—

(1) Visors;

(2) Kevlar helmets;

(3) Handbags; and

(4) Plastic identification tags.

(C) Each item should be individually analyzed to determine if it is clothing, rather than relying on the Federal Supply Class alone to make that determination.

(D) The fact that an item is excluded from the foreign source restriction of the Berry Amendment applicable to clothing does not preclude application of another Berry Amendment restriction in DFARS [225.7002-1](#) to the components of the item.

(E) Small arms protective inserts (SAPI plates) are an example of items added to, and not normally associated with, clothing. Therefore, SAPI plates are not covered under the Berry Amendment as clothing. However, fabrics used in the SAPI plate are

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## PGI 225—Foreign Acquisition

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still subject to the foreign source restrictions of the Berry Amendment. If the fabric used in the SAPI plate is a synthetic fabric or a coated synthetic fabric, the fibers and yarns used in the fabric are not covered by the Berry Amendment, because the fabric is a component of an end product that is not a textile product (see DFARS [225.7002-2\(m\)](#)).

*Example:* A SAPI plate is compliant with the Berry Amendment if the synthetic fiber or yarn is obtained from foreign country X and woven into synthetic fabric in the United States, which is then incorporated into a SAPI plate manufactured in foreign country Y.

(b) *Hand or measuring tools.*

(1) As applied to hand or measuring tools, “produced in the United States” means that the hand or measuring tool was assembled in the United States out of components, or otherwise made from raw materials into the finished product that is to be provided to the Government.

(2) If a hand or measuring tool was assembled in a country other than the United States, then disassembled and reassembled in the United States, the hand or measuring tool was not produced in the United States.

(3) The requirement to buy hand or measuring tools produced in the United States does not impose any restriction on the source of the components of the hand or measuring tools. This is unlike the Berry Amendment restriction on clothing (see [225.7002-1\(a\)\(2\)](#)), which explicitly requires domestic source for the materials and components of clothing (other than unusual components such as sensors or electronics), as well as the additional separate restrictions on various types of fibers and fabrics that might be components of the clothing.

(4) If the acquisition of the hand or measuring tools is also subject to the Buy American statute (see FAR subpart 25.1), then in order to qualify as a domestic end product, the cost of the components mined, produced, or manufactured in the United States or a qualifying country, must exceed 50 percent of the cost of all the components of the hand or measuring tool.

### PGI 225.7002-2 Exceptions.

(b) *Domestic nonavailability determinations.*

(3) *Defense agencies other than the Defense Logistics Agency.*

(A) A defense agency requesting a domestic nonavailability determination must submit the request, including the proposed determination, to—

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC

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## PGI 225—Foreign Acquisition

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3060 Defense Pentagon  
Washington, DC 20301-3060.

(B) The Director, Defense Procurement and Acquisition Policy, will forward the request to the Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)) as appropriate.

(4) *Reciprocal use of domestic nonavailability determinations (DNADs).*

The military departments and the Defense Logistics Agency should establish approval authority, policies, and procedures for the reciprocal use of DNADs. General requirements for broad application of DNADs are as follows:

(A) A class DNAD approved by the USD(AT&L), the Secretary of a military department, or the Director of the Defense Logistics Agency may be used by USD(AT&L), another military department, or the Defense Logistics Agency, provided the same rationale applies and similar circumstances are involved.

(B) DNADs should clearly establish—

(1) Whether the determination is limited or unlimited in duration; and

(2) If application outside the approving military department is appropriate.

(C) Upon approval of a DNAD, if application outside the approving military department is appropriate, the approving department shall provide a copy of the DNAD, with information about the items covered and the duration of the determination, to—

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060.

(D) Before relying on an existing DNAD, contact the approving office for current guidance as follows:

(1) USD(AT&L): DPAP/CPIC, 703-697-9352.

(2) Army: ASA/ALT, 703-604-7006.

(3) Navy: DASN (Acquisition and Logistics Management), 703-614-9600.

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## PGI 225—Foreign Acquisition

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(4) Air Force: AQCK, 571-256-2384.

(5) Defense Logistics Agency: J-71, Acquisition Policy Division, 703-767-1461.

### PGI 225.7003 Restrictions on acquisition of specialty metals.

#### PGI 225.7003-2 Restrictions.

(a)(i) This restriction applies to the item containing the specialty metal, not just the specialty metal, as was true when the restriction was part of 10 U.S.C. 2533a. The previous practice of withholding payment while conditionally accepting noncompliant items is not permissible for—

(A) Contracts entered into on or after November 16, 2006; or

(B) New procurements or out-of-scope changes accomplished on or after November 16, 2006, through the use of bilateral modifications to contracts originally awarded prior to November 16, 2006.

(ii) Consistent with the definition of “component” in the clause at DFARS [252.225-7009](#), a component is any item supplied to the Government as part of an end item or of another component. Items that are not incorporated into any of the items listed in DFARS [225.7003-2\(a\)](#) are not components of those items. For example, test equipment, ground support equipment, or shipping containers are not components of the missile system.

#### PGI 225.7003-3 Exceptions.

A department or agency requesting a determination or approval from USD(AT&L) in accordance with DFARS [225.7003-3\(b\)\(5\)](#), (c), or (d) shall submit the request, including the proposed determination, to—

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060.

The Director, Defense Procurement and Acquisition Policy, will forward the request to USD(AT&L) as appropriate.

(b)(2) *Report of COTS items.*

If a department or agency uses the exception at DFARS [225.7003-3\(b\)\(2\)](#) for an acquisition of COTS end items valued at \$5 million or more per item, the department or

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## PGI 225—Foreign Acquisition

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agency shall address use of the exception in a year-end report, to be prepared and submitted as follows:

(A) Entitle the report “COTS Specialty Metal Exceptions Granted During Fiscal Year \_\_\_\_.”

(B) For each excepted COTS item purchased during the fiscal year, include in the report, at a minimum, the applicable—

(1) Contract number and any applicable delivery order number;

(2) Dollar value; and

(3) Item description.

(C) Submit the report by October 31 of each year to:

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060.

(b)(5) *Domestic specialty metals nonavailable as and when needed.*

(A) *Determining availability.*

(1) FAR 15.402 requires that contracting officers purchase supplies and services at fair and reasonable prices. Thus, contracting officers must determine whether any increase in contract price that results from providing compliant specialty metal is fair and reasonable, given the circumstances of the particular situation. In those cases where the contracting officer determines that the price would not be fair and reasonable, the Secretary of the military department concerned may use that information in determining whether the unreasonable price causes the compliant metal to be effectively “nonavailable.” Where these “reasonableness” limits should be drawn is a case-by-case decision.

(2) A similar approach may be used to determine whether delays associated with incorporating compliant specialty metals into items being acquired results in the metals being effectively nonavailable.

(B) *Class domestic nonavailability determinations (DNADS).* Class DNADS approved by USD(AT&L), that are available for reciprocal use in contracts issued before July 26, 2008, can be found at <http://www.dema.mil/dnad/>. These determinations are *not* authorized for use in contracts issued on or after July 26, 2008.

(b)(6) *Application of specialty metals restrictions to magnets.*

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HPM = High performance magnet

COTS = Commercially available off-the-shelf

Magnet made of specialty metal is:	Commercially available, HPM	NOT Commercially available, HPM	COTS, NOT HPM	NOT COTS, NOT HPM
Incorporated into COTS assembly or COTS end item	NOT restricted	*	NOT restricted	*
NOT incorporated into COTS assembly or COTS end item	Restricted	Restricted	NOT restricted	Restricted
Included in 2 percent minimum content?	Cannot be included in 2 percent minimum content	Cannot be included in 2 percent minimum content	NOT restricted	Can be included in 2 percent minimum content

\* By definition, COTS assemblies and COTS end items will not include a HPM that is not commercially available or any other magnet that is not COTS.

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## PGI 225—Foreign Acquisition

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*(Revised September 9, 2013)*

### **PGI 225.72--REPORTING CONTRACT PERFORMANCE OUTSIDE THE UNITED STATES**

#### **PGI 225.7203 Contracting officer distribution of reports.**

Before contract award, forward a copy of any reports that are submitted with offers in accordance with the provision at [252.225-7003](#), Report of Intended Performance Outside the United States and Canada—Submission with Offer, to the Deputy Director of Defense Procurement and Acquisition Policy (Contract Policy and International Contracting), OUSD(AT&L) DPAP/CPIC, Washington, DC 20301-3060. This is necessary to satisfy the requirement of 10 U.S.C. 2410g that notifications (or copies) of contract performance outside the United States and Canada be maintained in compiled form for 5 years after the date of submission.

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## PGI 225—Foreign Acquisition

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*(Revised September 9, 2013)*

### PGI 225.76—SECONDARY ARAB BOYCOTT OF ISRAEL

#### PGI 225.7604 Waivers.

Forward waiver requests to the Director, Defense Procurement and Acquisition Policy, ATTN: OUSD(AT&L) DPAP/CPIC, 3060 Defense Pentagon, Washington, DC 20301-3060.

# DFARS Procedures, Guidance, and Information

## PGI 226—Other Socioeconomic Programs

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*(Revised September 9, 2013)*

### PGI 226.1—INDIAN INCENTIVE PROGRAM

#### PGI 226.103 Procedures.

(1) Submit a request for funding of the Indian incentive to the Office of Small Business Programs, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L) SBP), 201 12th Street South, Suite 406, Arlington, VA 22202.

(2) Upon receipt of funding from OUSD(AT&L) SBP, issue a contract modification to add the Indian incentive funding for payment of the contractor's request for adjustment as described in the clause at DFARS [252.226-7001](#), Utilization of Indian Organizations, Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns.

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## PGI 232—Contract Financing

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*(Revised September 9, 2013)*

### **PGI 232.5--PROGRESS PAYMENTS BASED ON COSTS**

#### **PGI 232.501-2 Unusual progress payments.**

Unusual progress payment arrangements require the advance approval of the Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD)AT&L DPAP). Contracting officers must submit all unusual progress payment requests to the department or agency contract financing office for approval and submission to OUSD(AT&L) DPAP.

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## PGI 234—Major System Acquisition

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*(Revised September 9, 2013)*

### PGI 234.71—Cost and Software Data Reporting

#### **PGI 234.7100 Policy.**

The OSD Deputy Director, Cost Assessment, may be contacted at—

Defense Cost and Resource Center

201 12th Street, Suite 220

Arlington, VA 22202-5408

703-601-4850

703-604-1012 (fax)

DSN: 329-4850

[osd.pentagon.cape.mbx.dcarc@mail.mil](mailto:osd.pentagon.cape.mbx.dcarc@mail.mil)

<http://dcarc.pae.osd.mil>

# DFARS Procedures, Guidance, and Information

## PGI 237—Service Contracting

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*(Revised September 9, 2013)*

### PGI 237.1--SERVICE CONTRACTS--GENERAL

#### PGI 237.102-70 Prohibition on contracting for firefighting or security-guard functions.

(d)(i) To ensure that the personnel limitations in DFARS [237.102-70\(d\)\(1\)\(iv\)](#) are not exceeded, there is an office of primary responsibility (OPR) within each department or agency that is responsible for managing the total number of security-guard personnel on contract for the department or agency.

(ii) Before finalizing a contract action that affects the number of security-guard personnel on contract, the contracting officer shall request, from the requiring activity, evidence of the OPR's approval for the contract action. This requirement also applies to renewal or exercise of options for the same number of security-guard personnel, to ensure compliance with the statutory limitations/reductions specified for each fiscal year.

(iii) If the evidence of approval is not provided by the requiring activity, the contracting officer shall directly contact the applicable OPR for approval before finalizing the contract action. OPRs are as follows:

- (A) U.S. Army:
  - HQ Department of the Army
  - Office of the Provost Marshal General
  - 2800 Army Pentagon
  - Washington, DC 20310
  - Phone: 703-695-4210 or 703-614-2597.
  
- (B) U.S. Navy:
  - Commander, Navy Installations
  - Command (CNIC) N3
  - 2715 Mitscher Road, Suite 300
  - Anacostia Annex
  - Washington, DC 20373
  - Phone: 202-409-4053.
  
- (C) U.S. Marine Corps:
  - HQ U.S. Marine Corps
  - Assistant Deputy Commandant, Plans, Policy, &  
Operations (Security)
  - 3000 Marine Corps Pentagon
  - Washington, DC 20350
  - Phone: 571-201-3633.

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## PGI 237—Service Contracting

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(D) U.S. Air Force:  
HQ Air Force  
Directorate of Security Forces  
Programs & Resources Division (A7SX)  
1340 AF Pentagon  
Washington, DC 20330  
Phone: 703-588-0027 or 703-588-0012.

(E) Pentagon Force Protection Agency:  
Pentagon Force Protection Agency  
9000 Defense Pentagon  
Washington, DC 20301  
Phone: 703-693-3685.

### **PGI 237.102-71 Limitation on service contracts for military flight simulators.**

(1) To process a request for waiver, the contracting officer shall submit the request and appropriate documentation relating to the requirements of DFARS [237.102-71](#)(b) to:

Director, Defense Procurement and Acquisition Policy  
ATTN: OUSD(AT&L) DPAP/CPIC  
3060 Defense Pentagon  
Washington, DC 20301-3060

Phone: 703-697-8334 FAX: 703-614-1254

(2) The action officer in the Office of the Director, Defense Procurement and Acquisition Policy, Contract Policy and International Contracting (DPAP/CPIC), will process the request through the Office of the Secretary of Defense and will forward the appropriate documentation to the congressional defense committees. The contracting officer shall not award a contract until notified by the DPAP/CPIC action officer that the waiver has been approved, the appropriate documentation has been transmitted to the congressional defense committees, and the required 30 days have passed.

### **PGI 237.102-73 Prohibition on contracts for services of senior mentors.**

DoD policies on senior mentors are set forth in (1) Secretary of Defense memorandum, subject: Policy on Senior Mentors (April 1, 2010) (see [here](#)) and (2) Deputy Secretary of Defense memorandum, subject: Implementation Guidance on Senior Mentors Policy (July 8, 2010) (see [here](#)).

### **PGI 237.102-74 Taxonomy for the acquisition of services and supplies & equipment.**

Click [here](#) for OUSD(AT&L) DPAP memorandum, "Taxonomy for the Acquisition of

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Services and Supplies & Equipment,” dated August 27, 2012. An Excel version of “Acquisition of Services and Supplies & Equipment Taxonomy” is available [here](#).

### **PGI 237.102-75 Guidebook for the acquisition of services.**

The “Guidebook for the Acquisition of Services” is available [here](#). This document provides acquisition teams with a step-by-step guide explaining the process of acquiring services.

### **PGI 237.102-76 Review criteria for the acquisition of services.**

The tenets of the DoD-wide architecture for the acquisition of services along with the associated review criteria are available [here](#). These matrices are to be used when conducting reviews in the preaward phase (Review/Approval of Acquisition Strategies or Preaward Peer Reviews) and in the postaward phase (Postaward Peer Reviews). See DFARS [201.170](#), Peer reviews, and [PGI 201.170](#), Peer reviews.

### **PGI 237.102-77 Automated requirements roadmap tool.**

The Automated Requirements Roadmap Tool (ARRT) is a tool that enables requiring activities to develop and organize performance requirements into draft versions of the performance work statement, the quality assurance surveillance plan, and the performance requirements summary. ARRT provides a standard template for these documents and some default text that can be modified to reflect a particular requirement. This tool should be used to prepare contract documents for all performance-based acquisitions for services. ARRT is available for download at <http://sam.dau.mil/ARRTRegistration.aspx>.

### **PGI 237.102-78 Market research report guide for improving the tradecraft in services acquisition.**

See [PGI 210.070](#) for guidance on use of the market research report guide to conduct and document market research for service acquisitions.

### **PGI 237.102-79 Private Sector Notification Requirements in Support of In-sourcing Actions.**

Contracting officers shall provide written notification to affected incumbent contractors of Government in-sourcing determinations. Notification shall be provided within 20 business days of the contracting officer's receipt of a decision from the cognizant Component in-sourcing program official. The notification should summarize the requiring official's final determination as to why the service is being in-sourced and shall be coordinated with the Component's in-sourcing program official. No formal hiring or contract related actions may be initiated prior to such notification, except for preliminary internal actions associated with hiring or contract modification.

### **PGI 237.171 Training for contractor personnel interacting with detainees.**

#### **PGI 237.171-3 Policy.**

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(b)(i) *Geographic areas of responsibility.* With regard to training for contractor personnel interacting with detainees—

(A) The Commander, U.S. Southern Command, is responsible for the U.S. military detention center at Guantanamo Bay, Cuba.

(B) The Commander, U.S. Joint Forces Command, is responsible for the Navy Consolidated Brig, Charleston, SC.

(C) The other combatant commander geographic areas of responsibility are identified in the Unified Command Plan, 1 March 2005, which can be found at: <http://www.defenselink.mil/specials/unifiedcommand/>.

(ii) *Point of contact information for each command:*

### US Central Command (USCENTCOM)

Commander, Combined Forces Land Component Commander (CFLCC)

a.k.a. Third Army, Ft. McPherson, Atlanta, GA

Staff Judge Advocate (SJA) Forward, Kuwait

POC: Lieutenant Colonel Gary Kluka

E-mail: Gary.Kluka@arifjan.arcent.army.mil

Comm: 011-965-389-6303; DSN: 318-430-6303; Alt. US numbers: 404-464-3721 or 404-464-4219

### US European Command (USEUCOM)

Logistics and Security Assistance Directorate

Chief, Contingency Contracting and Contract Policy Division (USEUCOM J4-LS)

POC: Major Michael Debreczini

debreczm@eucom.smil.mil

Comm: 011-49-711-680-7202; DSN: 314-0430-7202

### US Joint Forces Command (USJFCOM)

\*\*Applicable to potential detainees in the United States at Navy Consolidated Brig, Charleston, SC

Headquarters, USJFCOM (J355)

Personnel Recovery & Special Operations Division (J355)

POC: Lieutenant Colonel John Maraia

Comm: 757-836-5799; DSN: 836-5799

### US Northern Command (USNORTHCOM)

Not applicable to USNORTHCOM; see US Joint Forces Command

### US Pacific Command (USPACOM)

Headquarters, Office of the Staff Judge Advocate (SJA)

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Deputy Staff Judge Advocate  
POC: Lieutenant Colonel James Buckels, USAF  
james.buckels@pacom.mil  
Comm: 808-477-1193

US Southern Command (USSOUTHCOM)  
Headquarters, Office of the Staff Judge Advocate (SJA)  
Joint Task Force Guantanamo Bay  
POC: Lieutenant Commander Tony Dealicante  
DealicanteTF@JTFGTMO.southcom.mil  
Comm: 011-5399-9916; DSN: 660-9916

US Special Operations Command (USSOCOM)  
Headquarters, Office of the Staff Judge Advocate (SJA)  
Attn: Staff Judge Advocate  
POC: Colonel Dana Chipman  
chipmad@socom.mil  
Comm: 813-828-3288; DSN: 299-3288

### **PGI 237.172 Service contracts surveillance.**

The contracting officer shall remind requirements personnel, when they are preparing the quality assurance surveillance plan for contracts, to include a requirement for surveillance of the contractor's implementation of the clause at FAR 52. 222-50, Combating Trafficking in Persons (see [PGI 222.1703](#)).