MEMORANDUM FOR COMMANDER, UNITED STATES CYBER COMMAND (ATTN: ACQUISITION EXECUTIVE) COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND (ATTN: ACQUISITION EXECUTIVE) COMMANDER, UNITED STATES TRANSPORTATION COMMAND (ATTN: ACQUISITION EXECUTIVE) DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT) DEPUTY ASSISTANT SECRETARY OF THE NAVY (PROCUREMENT) DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING) DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Guidance on Awarding Cost-Reimbursement Contracts

This memorandum provides guidance on proper contract file documentation and pre-coordination with the planned contract administration office for cost-reimbursement contracts. This implements Department of Defense Inspector General (DoDIG) recommendations in “Audit of the Military Services’ Award of Cost-Reimbursement Contracts,” Report No. DODIG-2022-137, which identified inconsistencies in Contracting Officers’ documentation of contract files and in coordination with the Defense Contract Management Agency (DCMA).

- As a reminder, Federal Acquisition Regulation (FAR) 16.103(d) addresses general requirements to document rationale for contract type selection. FAR 16.301-3(a)(2) states a cost-reimbursement contract may be used only when a written acquisition plan has been approved and signed at least one level above the Contracting Officer.

- FAR 16.103(d)(1)(iv)(D) states documentation for other than a firm-fixed-price contract should include “a discussion of the actions planned to minimize the use of other than firm-fixed-price contracts on future acquisitions for the same requirement and to transition to firm fixed price contracts to the maximum extent practicable.” When using other than a firm-fixed price contract, Contracting Officers should address in the acquisition plan or contract file whether a future acquisition for the same requirement is expected and, if so, the plan for transitioning to a firm-fixed price contract. Where appropriate, this should include a discussion of plans to avoid protracted use of cost-reimbursement or time-and-materials contracts over the course of an acquisition program, a series of contracts, or a single long-term contract (see FAR 16.103(c)).

- To ensure adequate resources are available for contract administration, Contracting Officers should coordinate, as a part of acquisition planning, with DCMA or other
planned contract administration office. FAR 42.202(a) provides requirements for delegating contract administration functions.

My point of contact for this memorandum is Ms. Sara Van Gorder in the office of Defense Pricing and Contracting, Contract Policy at osd.pentagon.ousd-a-s.mbx.asda-dp-c-contractpolicy@mail.mil.

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