



ACQUISITION
AND SUSTAINMENT

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

NOV 27 2018

In reply refer to
DARS Tracking Number: 2019-O0001

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES CYBER
COMMAND (ATTN: ACQUISITION EXECUTIVE)
INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT), ASA (ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION & LOGISTICS MANAGEMENT),
ASN (RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTORS, DEFENSE AGENCIES
DIRECTORS, DEFENSE FIELD ACTIVITIES

SUBJECT: Class Deviation—Use of Fixed-Price Contracts

Effective immediately, contracting officers shall first consider the use of fixed-price contracts, including fixed-price incentive contracts, in the determination of contract type and shall not award the following cost-type contracts unless the contract is approved by the head of the contracting activity:

- Cost-reimbursement contracts in excess of \$50 million to be awarded after October 1, 2018, and before October 1, 2019.
- Cost-reimbursement contracts in excess of \$25 million to be awarded on or after October 1, 2019.

This class deviation implements section 829 of the National Defense Authorization Act for Fiscal Year 2017 (Pub. L. 114-328), which directs establishment of a preference for fixed-price contracts, including fixed-price incentive contracts, in the determination of contract type and establishes the requirement for higher-level approval for certain cost-type contracts.

The Under Secretary of Defense for Acquisition and Sustainment has determined that the use of cost-type contracts is approved for research and development valued in excess of \$25 million, if the contracting officer executes a written determination that the level of program risk does not permit realistic pricing and it is not possible to provide an equitable and sensible allocation of program risk between the Government and the contractor.

This class deviation remains in effect until it is incorporated in the Defense Federal Acquisition Regulation Supplement, or until it is otherwise rescinded. My point of contact is Mr. Leroy Smith, who is available at leroy.d.smith3.civ@mail.mil.

A handwritten signature in black ink, appearing to read 'K. Herrington', with a large, sweeping flourish extending to the right.

Kim Herrington
Acting Principal Director, Defense Pricing
and Contracting