



DFARS Transformation

<http://www.acq.osd.mil/dp/dars/transf.htm>

***Presented to:
DAU
Business Managers Conference***

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Outline

- **Direction**
- **History**
- **Objectives**
- **Preliminary Results**



DPAP Reorganization

Ms. Lee
Director
Defense Procurement & Acquisition Policy

Special Assistant for AT&L Projects
Ms. Leantha Sumpter

VACANT Prin Deputy & Dep Acq Workforce Mgmt & Trng

VACANT

Operations Office
 Col Lyndi Balven
 LTC Ray Montford
 Carol Preston
 Dianne Bagley
 Conni Homer

We are Here

Feedback Loop

Policy
 Domenic Cipicchio
 Joyce Martin
 Teresa Brooks
 Mike Canales
 David Capitano
 Phil Degen
 Lt Col Greg Redick
 Bill Timperley

Program Acquisition & Int'l Contracting
 Dan Nielsen
 Deborah Grinkley
 Gary Blasser
 Craig Curtis
 Barbara Brygider (BPR)
 Barbara Glotfelty
 Skip Hawthorne
 Sue Hildner
 Verne McKamey
 Mike Pelkey
 Chris Werner

Regulations
 Ronald Poussard
 Gail Cruz
 Darryl Gatlin
 Euclides Barrera (BPR)
 Steve Cohen
 Ted Godlewski
 Sandy Haberin
 Angelena Moy
 Michele Peterson
 Susie Schneider
 Amy Willams

E-Biz
 Mark Krzysko
 James McMichael
 Qiana Garnett (SIS)
 Kathy Fenk
 Col Larry Lee
 Jay Mandelbaum
 Diane Morrison
 Lisa Romney
 Steve Slavsky
 SPS
 Liz Gooding (BPR)
 D. O'Rourke (BPR)

Workforce & Career Mgmt
 Ric Sylvester
 Mary M. Evans
 Y. Whichard (CTR)
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 Melissa Rider
 Judith Boyd (Detailee)
 Diane Bray (Detailee)
 K. Clougherty (DLAMP)
 W. Howard (Detailee)
 F. Leaming (Detailee)
 B. McChesney (Detailee)
 D. Murry (DLAMP)

DAU
AET & CD*
 Tonya Barbour (CTR)
 Bonnie Mitchell
 Leslie Blackmon
 Dan Dennison
 John Michel
 Kenn Steffee
 Steve Tkac
 P. Mattei (Detailee)
 Statutory
DoD DACM
 Jay Boller (CTR)
 J. Higgins (CTR)
 Karla Merritt (DLA)
 Cindy Taylor (DLA)
 Kelly Long (Detailee)
ACQ DEMO

Organization

- [DAR Directorate](#)
- [DAR Council](#)
- [DAR Committee](#)

FAR

- [GSA](#)
- [Hill AFB](#)

DFARS

- [DFARS](#)
- [Change Notices](#)
- [Hill AFB](#)

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Class Deviations

- [Class Deviations](#)

Guides

- [AT&L Knowledge Sharing System](#)
- [Contract Pricing](#)
- [Small Entity Compliance](#)
- [Operating Guide](#)

Out for Public Comment

- [FAR Rules](#)

DFARS Transformation

The Department of Defense is kicking off a major transformation initiative to identify dramatic improvements and reductions to procurement policies, procedures and processes in the Defense Federal Acquisition Regulation Supplement (DFARS).

Under the direction of the Director of Defense Procurement and Acquisition Policy, Ms. Deidre Lee, we are establishing a Task Force to consider bold changes and make proposal recommendations. We will also develop legislative proposals for consideration by the Congress for future changes to the DFARS.

The public is encouraged to participate in generating ideas for improvements. To ensure timely consideration, please submit your proposal NLT March 28, 2003. We will consider and post all ideas but our aggressive schedule precludes us from responding on an individual basis.

Please [Click Here](#) to submit your proposal.



DoD Direction

- Conduct a comprehensive review and transformation of the FAR and DFARS
 - **Reduce DFARS by 40%**
- Include operational proceedings used to revise and implement the DFARS

Fits within OSD Goals and Priorities

- ✓ **Improve credibility and effectiveness of acquisition and logistics support process**
- ✓ **Enhance higher priority activities and improve responsiveness and efficiency**
- ✓ **Shorten DoD Processes by 50%**



History

- Defense Planning Guidance Flowdown (Oct 02)
- SECDEF Legislative Proposal Direction (Nov 02)
- Phase 1 - 21-26 Nov 02
- Senior Procurement Execs briefed 10 Dec and 13 Jan 03
- Industry briefed 10 Feb 03
- Mr. Wynne (PDUSD/AT&L) Challenge Memo to Service Acquisition Executives, 19 Feb 03
- Senior Acquisition Executives - Brief 20 Feb 03



Why?

- FAR/DFARS published in 1984
 - 4-year effort to rewrite FPR and ASPR
- Many re-write/transformational initiatives
 - DMR – late 80s removed duplicative/unnecessary rules
 - DFARS size cut in half - words cut from 600K to 300K
 - 400 directives identified for cancellation/consolidation
 - 113 clauses removed (35%)
 - Fundamental improvements to:

Negotiated procurement	Source Selection
Procurement Integrity	Profit
Commercial contracting	IT and schedules
Milspec reform	Industry involvement

- Section 800 panel (1993) – comprehensive look at the laws
- FASA and FARA – mid – 90s
- Plain language re-write (ongoing)
- FAR guiding principles

Rule-making process has remained relatively unchanged



Why? - A Case in Point

- Temporary Emergency Procurement Authority
 - FAR change to implement Section 836 of the FY02 NDAA
 - Increased micro-purchase threshold and the simplified acquisition threshold for defense against terrorism.
 - Allows PCOs to treat biotechnology supplies and services as commercial items.
- Timeline

Law	Cmte Tasked	DAR Council Sends to CAAC	OFPP/OIRA /GSA/AT&L Approval	Interim Rule Published in Fed Reg							
Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	

9 months to publish an Interim Rule!



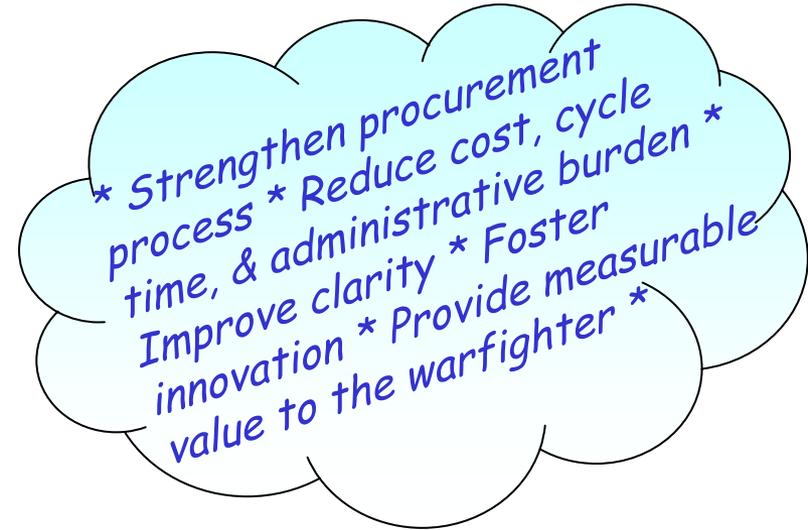
Objectives

- Value-based approach
 - Identify opportunities and potential for improvement
 - Policy, process, procedure, authority
 - Identify opportunities to reduce regulatory requirements
 - Recast the purpose, process and content of the DFARS
- Focus on opportunities with measurable benefit
 - Strengthen procurement process, reduce cost, cycle time, administrative burden, foster innovation
 - Increase effectiveness



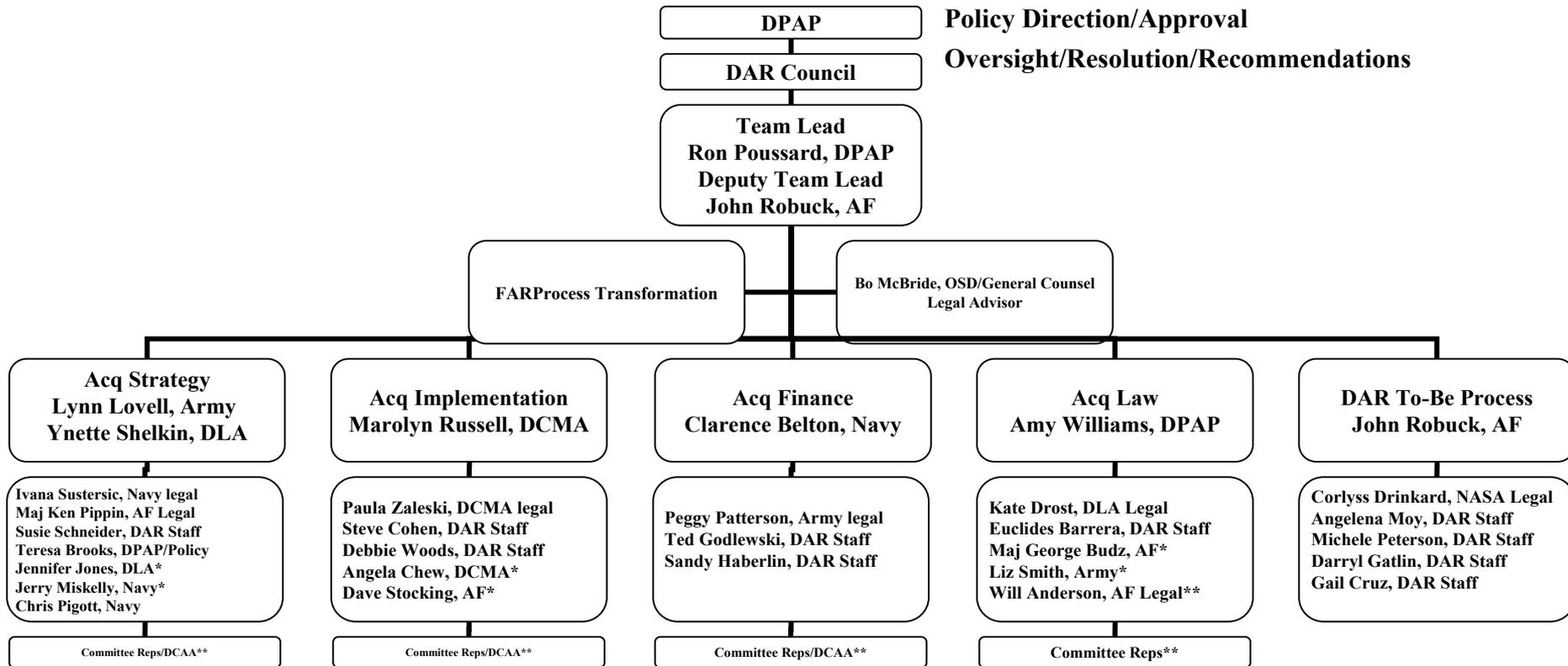
Task

- **Review all DFARS Parts within team responsibilities**
- **Generate proposals to remove or change DFARS requirements.**
- **Justify retaining existing requirements**
- **Recommend statutory changes or changes to higher authorities**
 - FAR, Executive Orders, Other
- **Deliverables:**
 - Database recommending/justifying disposition by subsection
 - Legislative, regulatory, and other significant change proposals





The Team



*Full-time augmentee from Services and Agencies.

**As required.

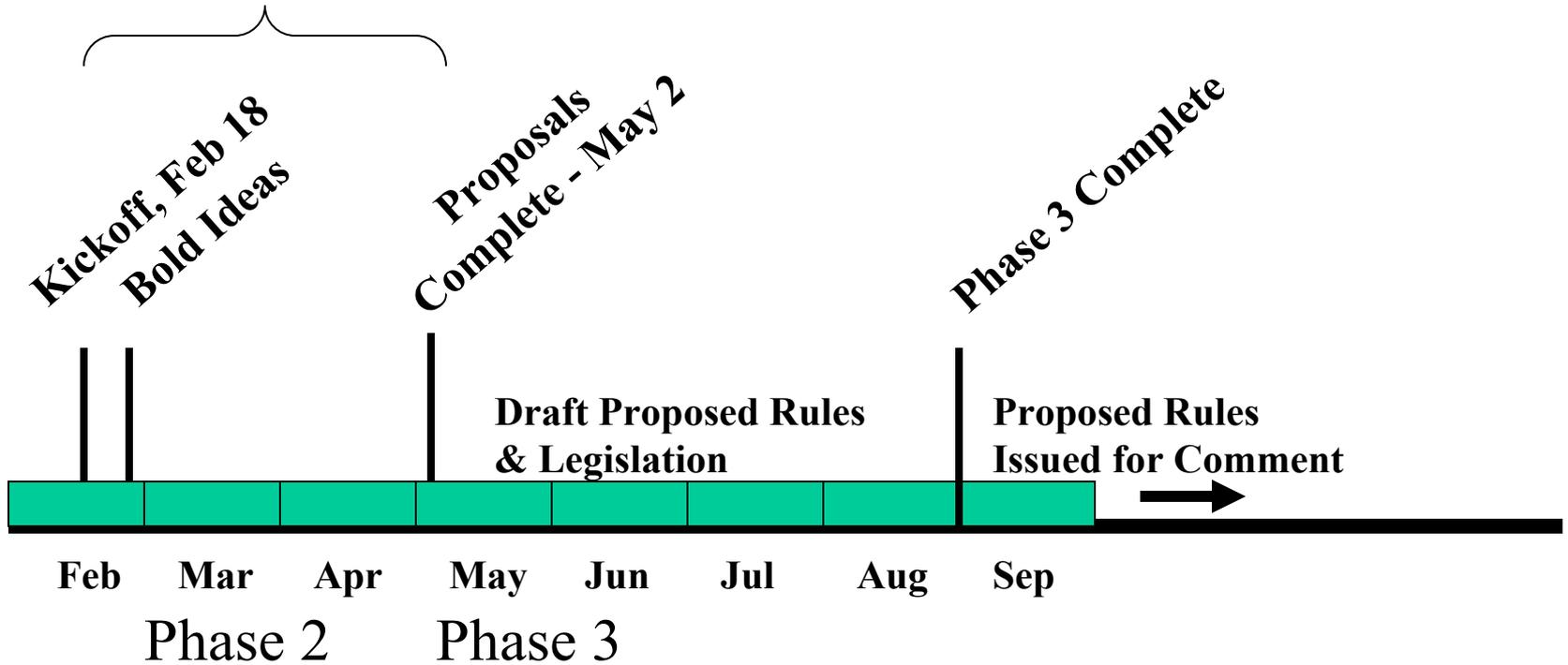
Total: 30 participants

DAR Council will continue to work priority FAR/DFARS cases



Schedule

75 DAYS





AT&L Challenge

- **“I am challenging DoD’s acquisition community...to take advantage of this opportunity to initiate dramatic improvements to the procurement process....I request you establish a concurrent effort in your respective organizations and interact with our task force as we generate value-added changes to the rules and our processes.”**

**Mr. Michael W. Wynne
Principal Deputy Under Secretary
Acquisition Technology and Logistics
Feb 19, 2003**



Goal: The Big Picture

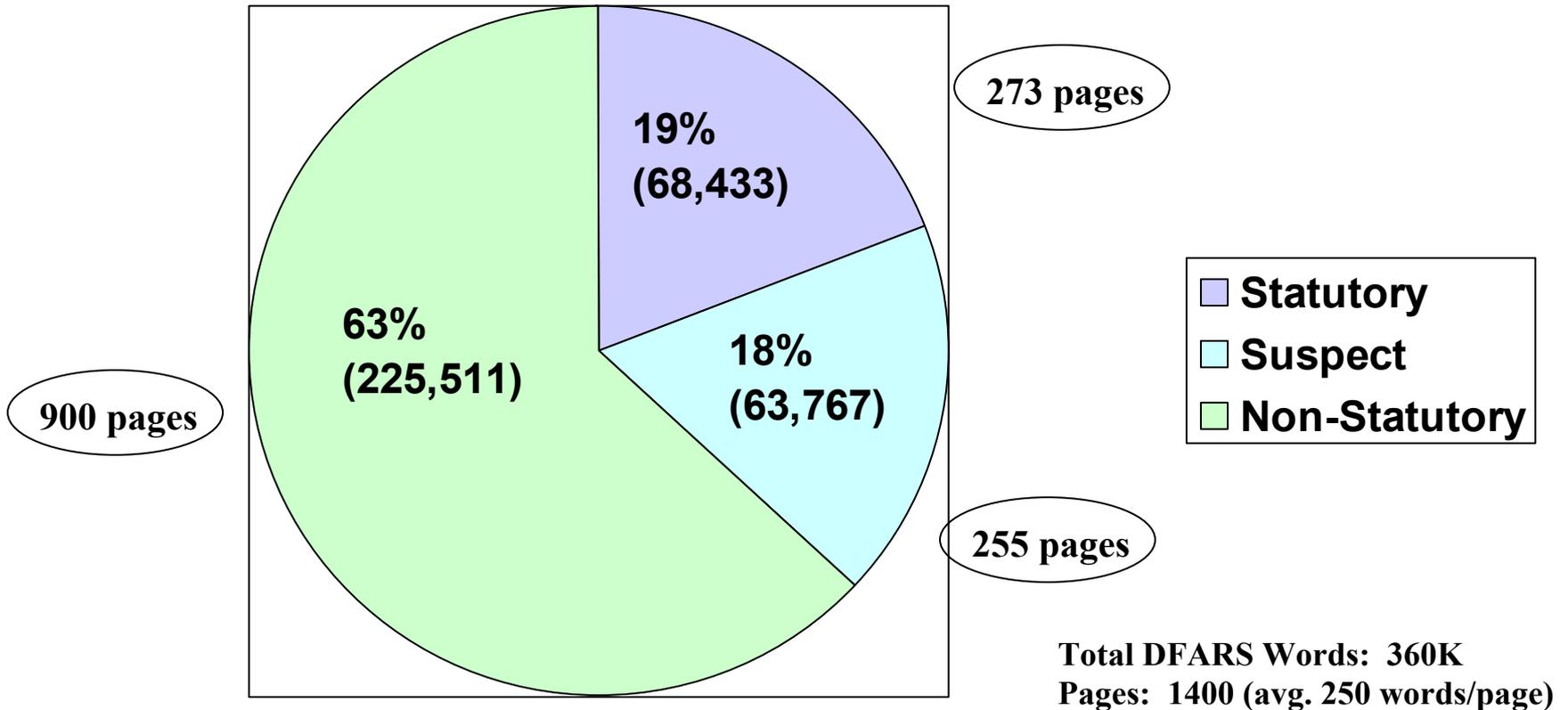
Create a responsive tool so acquisition teams can build successful contracts and business relationships every time

- **Why? Dramatically changing defense business environment**
 - Today's contracting officer is challenged to think and act differently to better support the warfighter
 - Tomorrow's contracting officer will think and act differently
- **Objective: Lay a foundation for a new set of tools for tomorrow**

A Dramatically Changed DoD FAR Supplement



Phase 1 Results



Based on DFARS total word count



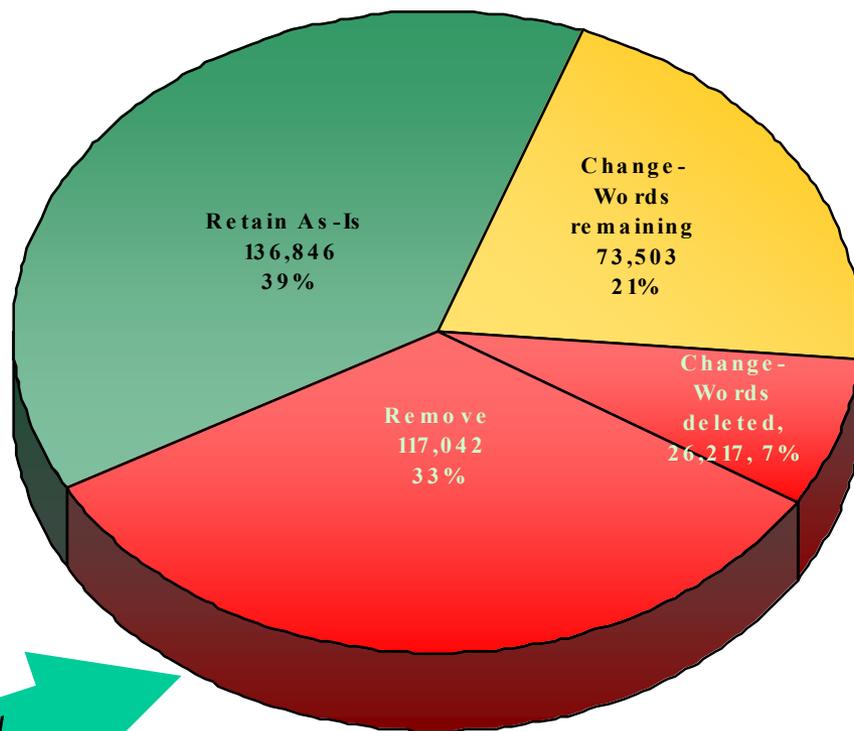
Phase 2 Summary

- **Comprehensive Review in 75 days**
 - 1500 DFARS pages reviewed
 - 360K words
- **200+ stakeholders participated**
 - 30 full-time
 - 250 Web submissions reviewed
 - 23 From Industry
- **70+ significant proposals developed**
 - Includes legislative initiatives and FAR changes
 - 400+ other proposals
- **Outreach to nearly 1000 in acquisition community**

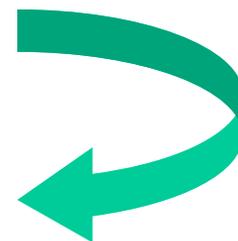
Team Disbanded May 2, 03 – Now compiling results



Phase 2 Preliminary Results



Remove 40%



7% Retain Until
FAR
or
Legislative changes



A New DFARS

- **DFARS, the Regulation --**
 - Clear requirements/procedures of law
 - Mandatory DoD-wide policy
 - Deviations from FAR
 - Flexible decision processes
- **DFARS Procedures and Guidance --**
 - Common instructions, procedures and information
 - Decision making support
 - Internal to DoD – no significant impact on public



Phase 3

Transition Strategy Highlights

Compile results and produce final report	5-16 May 03
Outbrief Senior Procurement Executives and General Counsel Principals	19 May 03
Review/prioritize proposals by complexity and value <ul style="list-style-type: none">- Make recommendations to DPAP- Begin tasking Phase 3 Teams to develop/coordinate reg changes<ul style="list-style-type: none">-- Maximize use of Existing DAR Committees	12-30 May 03
Public Comment process	Summer/Fall
Develop RFP for competitive selection of DAR Transformation Integrated System	Issue by 1 st qtr 04

Requires active participation in existing DAR Committees



Examples of Team Proposals

Summary level only.

All proposals will require review,
coordination, approval and public comment



Acquisition Strategy Team

Pre-Award

CHANGE	ELIMINATE	MOVE TO INSTRUCTIONS AND GUIDE BOOK	CHANGE LAWS OR OTHER REGS
Raise threshold for Announcement of Contract Awards to \$25M	Eliminate outdated procedures for Streamlined R&D Contracting	Procedures for use of DD1155 and similar forms	Raise the J&A dollar approval thresholds for SPE and HCA and allow SPE delegation of authority
Add “Sale” authority to “Exchange of Personal Property”	Higher level approval of SDB subcontract goals less than 5%	Source Selection Evaluation Factors and significant subfactors	Allow other than FP/FPEPA contracts for commercial contracting
Raise threshold and lower approval authority for use of FP R&D contracts	Leader Company Contracting	Guidance on the use of contract clauses for FP contracts with EPA	Simplify small business policy and procedures
Raise threshold for DD2579 review by small business specialists	Policy mandating compliance with decisions of indep. reg. bodies for Utility svcs	Internal procedures for Enterprise Software Agreements	Expand the usage of BAA to all R&D efforts



Acquisition Implementation Team (post-award)

CHANGE	ELIMINATE	MOVE TO INSTRUCTIONS AND GUIDE BOOK	CHANGE LAWS OR OTHER REGS
Establish “Due Diligence” closeout procedure on old contracts missing documentation	Production surveillance of contracts with Criticality Designator “C”	DD350/1057 reporting procedures	Establish procedures for Unique Identification (UID) of items and valuation of Government property
Establish common thresholds for review of MMAS, CIPR, CPSR, and Estimating Systems	Outdated contract administration functions to be retained (e.g., Consultants, Dependents Medicare)	Internal administrative procedures related to conduct of purchasing system reviews	Revise Change Order process to promote pre-issuance coordination instead of post-award correction and elevate to FAR
Move direction to contractors that is now in Part 245 (Govt Property) to a clause	Shipment of automatic weapons through US Postal Service [Must revise DoD 4525.8-M]	Internal Government property procedures to existing DoD property manual	Establish termination timeframes and limitations to expedite process
Facilitate streamlined, risk-based Contractor Insurance Pension Review process	Requirement for contracting officer to ask for relief/ consideration on nonconforming items when Govt has no contractual rights	Internal Government transportation procedures to existing DoD transportation regulation	Elevate DFARS items that should apply Federal-wide to FAR



Pricing/Finance Team

CHANGE	ELIMINATE	MOVE TO INSTRUCTIONS AND GUIDE BOOK	LEGISLATIVE CHANGE
Update statutory waivers from TINA	Non-commercial procedures for laundry and dry cleaning services	Weighted Guidelines internal profit procedures	Eliminate SECDEF written determination requirement for restructuring costs
Update Cost Accounting Standards waivers	The Pricing Adjustments clause	Bankruptcy reporting requirements	Eliminate the 6% fee limitation for A&E/construction
Address coverage on personal services contracts for health care outside of medical treatment facilities	Duplicative coverage on Facilities Capital Employed for Facilities under Construction	Special tax procedures for overseas contracts	
Delete obsolete language for restructuring costs	Additive or deductive items procedures for construction	Mortuary services acquisition procedures	



Acquisition Law Team

CHANGE	ELIMINATE	MOVE TO INSTRUCTIONS AND GUIDE BOOK	LEGISLATIVE CHANGE
<p>Thresholds</p> <ul style="list-style-type: none"> •BAA non-availability determinations •Individual determinations for qualifying country end products 	<p>Balance of Payments Program</p>	<p>Examples of evaluation of foreign offers under the Buy American Act or Balance of Payments Program</p>	<p>Simplify totally enclosed lifeboats domestic source restrictions</p>
<p>Ball and roller bearing exemption for commercial components</p>	<p>Duty-free entry information requirements</p>	<p>Suspension and debarment referral procedures</p>	<p>Simplify ball and roller bearing domestic source restrictions</p>
<p>Berry Amendment – delegation of waiver authority and “De minimus” exception for fibers and fabrics</p>	<p>Distribution by contracting officer of reports on contract performance outside the U.S.</p>	<p>Reporting requirements relating to the impact of labor disputes on defense programs</p>	<p>Amend Pub. L. 85-804, Extraordinary contractual relief, to raise threshold to obligate funds.</p>
<p>Delegation of statutory waiver authority for contracts or subcontracts placed outside the U.S.</p>	<p>DD Form 879, Statement of Compliance</p>	<p>Government-wide DoL reporting requirements (to FAR)</p>	



Process and Technology Team

CHANGE	ELIMINATE	MOVE TO INSTRUCTIONS AND GUIDE BOOK	CHANGE LAWS OR OTHER REGS
201.201 – shorten format for submission of suggested changes to FAR/DFARS	201.603-3(a)--remove Grandfather provision for warrants issued under ASPR/DAR	201.603-2 –relocate qualifications for Contracting Officers	None
201.303-- Clarify explanation of DFARS numbering system			

- **Develop disciplined approach to DFARS Guidebook**
- **Re-engineer DAR Council processes, research market and develop strategy and objectives for technology insertion**

Work on “Process” will continue in Phase 3



Key Events

Event	Date
DAU with Frank Anderson and staff	Feb 19
Senior Acquisition Executives	Feb 20, Apr 1
AF Small Business Training Conference Destin FL	Feb 24
AF Special Operations Command Contracting Hurlburt Field FL	Feb 25
AF Materiel Command's Armament Division Eglin AFB FL	Feb 25
Financial Executives Institute (FEI) conference	Feb 28
Defense Acquisition Summit	Mar 5
DCAA with Bill Reed	Mar 6

Event	Date
SASC Staff: Mr. Levine and Mr. Greenwalt	Mar 10
DoDIG: Mr. West & staff	Mar 13
Defense Acquisition Executives Council (DAEC)	Mar 18
DLA Corporate Board	Mar 24
HASC Staff	Apr 2
CON 301	Weekly*
Industry Day	TBD

Over 200 proposals submitted on the web



Recent / Upcoming Changes

- **Progress Payment Requests Under Indefinite-Delivery Contracts (FAR Case 2001-006)**
 - Requires contractors to account for and submit progress payment requests under individual orders as if each order constitutes a separate contract
 - Final rule published in FAC 2001-13, Item IV, March 18, 2003
- **Electronic Submission and Processing of Payment Requests (DFARS Case 2002-D001)**
 - Requires contractors to submit, and DoD to process, payment requests in electronic form
 - Interim rule published in DFARS Change Notice 20030221
- **Electronic Signatures (FAR Case 2000-304)**
 - Clarifies that agencies are permitted to accept electronic signatures and records in connection with Government contracts
 - Final rule planned for FAC 2001-14



Proposed Changes

- **Federal Supply Schedule Services and Blanket Purchase Agreements (FAR Case 1999-603)**
 - Adds policy on use of statements of work when acquiring services under Federal Supply Schedules; clarifies and strengthens procedures for establishing blanket purchase agreements under Federal Supply Schedules
 - Proposed rule published in the Federal Register on April 18, 2003
- **Unsolicited Proposals (FAR Case 2002-D027)**
 - Implements Section 834 of the Homeland Security Act of 2002, which adds new considerations regarding the submission, receipt, evaluation, and acceptance or rejection of unsolicited proposals
 - Proposed rule in preparation



Proposed Changes (cont'd)

- **Electronic Representations and Certifications (FAR Case 2002-D024)**
 - Requires contractors to submit electronic representations and certifications via the Business Partner Network
 - Proposed rule in preparation
- **Use of DoD Activity Address Codes in Contracting (DFARS Case 2003-D005)**
 - Will change the DoD contract numbering system to use the issuing activity's DoD Activity Address Code in the first 6 positions of the contract number, instead of the Appendix G DoD Activity Address Number
 - Proposed rule in preparation



Websites

- <http://www.acq.osd.mil/dp/dars>
 - Detailed information on transformation initiative
 - Opportunity for industry/public to provide proposals
 - Links to online FAR and DFARS
 - Open FAR and DFARS Case Listing and Status; Class Deviations
 - Subscribe to DFARS News (get DCNs, proposed rules)
 - View and comment on proposed or interim DFARS rules