

DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT (OCT. 10, 2003) UNIQUE ITEM IDENTIFICATION AND VALUATION

DoD has issued an interim rule amending the Federal Acquisition Regulation Supplement (DFARS) to add policy pertaining to item identification and valuation. The rule requires contractors to uniquely identify, through the use of item identification marking, all items to be delivered to the government. The rule also adds requirements for contracts to provide for identification of the government's acquisition cost of items that are built or acquired by a contractor during contract performance and subsequently delivered to the government. The requirements in this rule apply to all solicitations issued on or after Jan. 1, 2004.

The interim rule, published in the *Federal Register* on Oct. 10, 2003, may be viewed online at <http://www.acq.osd.mil/uid/>.

FEDERAL ACQUISITION REGULATION (OCT. 20, 2003) CONTRACT BUNDLING

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council have agreed on a final rule amending the Federal Acquisition Regulation governing contract bundling. The final rule, published in the *Federal Register* on Oct. 20, 2003, may be viewed online at <http://www.acqnet.gov/far/FAC/fac2001-17.pdf>.

DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT (DFARS) CHANGE NOTICE 20031114 (NOV. 14, 2003) PROVISIONAL AWARD FEE PAYMENTS (DFARS CASE 2001-D013)

Final Rules:

Provides policy and guidance for using provisional award fees under cost-plus-award-fee contracts. This tool, in appropriate circumstances, may be an effective incentive mechanism. Acquisition teams should carefully evaluate the need for this tool and the potential benefits as part of acquisition strategy planning processes. Proper use of provisional award fees is expected to improve contractor cash flow, foster a healthy contractual relationship between the Government and the contractor, and further the benefits of the award fee incentive.

A training module on provisional award fees is available through the Defense Acquisition University Web site at

<http://www.dau.mil>, under **Continuous Learning/Continuous Learning Modules/Self-Paced Modules**.

The DFARS changes in this rule apply to solicitations issued on or after Jan. 13, 2004, and will be incorporated into the DFARS on Jan. 13, 2004. Contracting officers may, at their discretion, apply the DFARS changes to solicitations issued before Jan. 13, 2004, provided award of the resulting contract(s) occurs on or after Jan. 13, 2004. Contracting officers may also, at their discretion, apply the DFARS changes to any existing contract with appropriate consideration.

DOD ACTIVITY ADDRESS CODES IN CONTRACT NUMBERS (DFARS CASE 2003-D005)

Requires use of a contracting office's DoD activity address code (DoDAAC) in the first six positions of a solicitation or contract number, instead of the DoD activity address number (DoDAAN) found in DFARS Appendix G. This new numbering system took effect on Oct. 1, 2003, in accordance with Defense Procurement and Acquisition Policy memoranda dated June 9, 2003, and Oct. 2, 2003 (available at <http://www.acq.osd.mil/dpap/policy/policydocs.htm>). No change is required for existing solicitation and contract numbers. Activities whose DoDAAC and DoDAAN are identical will continue to use the same characters in the first six positions of solicitation and contract numbers.

Appendix G is removed in its entirety from the DFARS, as a result of a recommendation of the DFARS Transformation Task Force. The two-position order codes from DFARS Appendix G, that contracting offices use when placing an order against another activity's contract or agreement, are now available at a separate location on the Defense Acquisition Regulation Web site at <http://www.acq.osd.mil/dp/dars/dfars.html>.

For reference purposes, archived versions of Appendix G are available in the HTML format of the DFARS at <http://www.acq.osd.mil/dp/dars/dfars.html> by using the "Prior Version" option shown at the beginning of each Appendix G part.

DoDAACs are maintained by the Defense Logistics Agency (DLA). Registration through the DLA Web site at <https://www.daas.dla.mil/daashome/> is required to gain access to DLA's database. While awaiting completion of the registration process, the following Air Force Web site is suggested as an alternate source for DoDAAC information: <https://dodaac.wpafb.af.mil>.

PURCHASE OF FEDERAL PRISON INDUSTRIES PRODUCTS (DFARS CASE 2002-D003)

Updates and clarifies policy on purchasing products from Federal Prison Industries (FPI). The changes—

- (1) clarify requirements for conducting market research before purchasing a product listed in the FPI Schedule;
- (2) clarify requirements for use of competitive procedures, to include the use of small business set-asides and multiple award schedules, if an FPI product is found to be noncomparable to products available from the private sector;
- (3) specify that a contracting officer's comparability determination is not subject to the arbitration procedures of FAR 8.605;
- (4) specify that a DoD contractor may not be required to use FPI as a subcontractor; and
- (5) prohibit the award of a contract to FPI that would allow an inmate worker access to classified or sensitive information.

These changes—

- (1) implement Section 819 of the National Defense Authorization Act for Fiscal Year 2003 and further implement Section 811 of the National Defense Authorization Act for Fiscal Year 2002;
- (2) become effective 30 days after the date of publication, as required by Section 819 of the National Defense Authorization Act for Fiscal Year 2003; and
- (3) apply to solicitations issued on or after December 15, 2003, and will be incorporated into the DFARS on December 15, 2003.

An Aug. 15, 2003, information paper addressing recent FAR and DFARS changes on the purchase of FPI products is available at <http://www.acq.osd.mil/dpap/Docs/FederalPrisonIndustriesInc.pdf>.

**Interim Rule
CENTRAL CONTRACTOR REGISTRATION
(DFARS CASE 2003-D040)**

Removes DFARS policy on Central Contractor Registration (CCR) that duplicates FAR policy published as Item I of FAC 2001-16 on Oct. 1,

2003. DoD's automated systems presently rely on the use of Commercial and Government Entity (CAGE) codes to facilitate accurate and timely contract payments. Therefore, DoD-unique CAGE code requirements must be retained in the DFARS. An alternate paragraph is provided at DFARS 252.204-7004 for use with the clause at FAR 52.204-7, Central Contractor Registration, to address the need for CAGE code information in the CCR database. Public comments on these interim DFARS changes are due by Jan. 13, 2004.

**U.S. SENATE COMMITTEE ON APPROPRIATIONS PRESS RELEASE
HOUSE-SENATE CONFERENCE APPROVES SUPPLEMENTAL FOR MILITARY OPERATIONS AND RECONSTRUCTION EFFORTS IN IRAQ AND AFGHANISTAN**

WASHINGTON, D.C. (Oct. 29, 2003)—The House-Senate Conference Committee today approved \$87.5 billion in supplemental funding for military operations and reconstruction efforts in Iraq and Afghanistan. The reconciled bill now goes to the House and Senate floors for consideration and final passage. Text of the conference report and the accompanying statement of the managers will soon be available on Thomas.loc.gov, and highlights of the bill are below:

- \$17.8 billion for the salaries and benefits of military personnel for active component troops and Guard and Reserve troops activated for duty in Iraq, Afghanistan, and other areas around the world;
- \$39.2 billion for operations and maintenance in support of Operation Iraqi Freedom, Operation Enduring Freedom, and Operation Noble Eagle, of which \$1 billion is to support coalition partners;
- \$5.5 billion for procurement, including an additional \$62.1 million for up-armored Humvees;
- \$333.8 million for military research, development, testing, and evaluation;
- \$658 million for the Defense Health Program;
- \$600 million for the Defense Working Capital Fund to cover added fuel costs;
- Provided \$313 million of the funds to repair Department of Defense infrastructure damaged by Hurricane Isabel;

- \$524 million for military construction (\$112 million of which is for damage to military facilities caused by Hurricane Isabel);
- \$156.3 million for Department of State operations;
- \$16.6 million for safe and secure facilities for the United States Agency for International Development in Iraq and Afghanistan;
- At least \$38 million for operating expenses of the United States Agency for International Development for costs associated with Iraq and Afghanistan;
- \$18.6 billion for Iraq for security, rehabilitation, and reconstruction (the amount also includes \$200 million for assistance to Liberia, \$200 million for assistance to Jordan, and \$20 million for assistance to Sudan). Of those funds, \$100 million is for democracy building activities in Iraq to support the development of a constitution and national elections;
- \$872 million to continue political and economic development programs in Afghanistan;
- \$170 million for Department of State narcotics control, law enforcement, nonproliferation, anti-terrorism, and de-mining programs;
- \$287 million to continue programs and activities to build the new Afghanistan Army;
- \$50 million for peacekeeping expenses in Iraq relating to additional foreign troops;
- \$35 million for anti-terrorism training and equipment needs in Afghanistan; and
- \$983 million for operating expenses for the Coalition Provisional Authority.

In addition, the conferees authorized medical and dental screening at no cost for Reservists who are ordered to active duty; expanded pre-mobilization and post-mobilization eligibility for TRICARE; and made TRICARE available to Reservists who are unemployed, or who are not offered health care benefits by their civilian employer.

**AMERICAN FORCES PRESS SERVICE
(NOV. 25, 2003)
CHU CALLS AUTHORIZATION ACT
"TRANSFORMATIONAL"**

Jim Garamone

WASHINGTON—The Defense Department's top personnel and readiness official called the fiscal 2004 National Defense Authorization Act "transformational" for its support of the department's aim to change to confront the threats of the future.

President Bush signed the act into law during a Pentagon ceremony Nov. 24. The \$401.3 billion budget funds the department through Sept. 30, 2004.

David Chu, under secretary of defense for personnel and readiness, spoke about the personnel provisions of the legislation. "The department is very grateful for Congress's action in passing the act," Chu said during an interview.

The under secretary said the act is historic and will allow the department to rewrite those rules that need to be modernized for DoD to be effective in the early 21st century.

The act doesn't give the Bush administration all it wanted in the personnel realm, Chu said, but it does substantially advance the agenda on three key fronts. "First, it has given us authority for a new era in how we manage and treat our civilian personnel—the National Security Personnel System," he said.

Second, he said, the act provides a better balance between environmental stewardship and the training needs of the Department of Defense.

Finally, the act continues to support the transformational aspect of military compensation, Chu said. The act provides for an across-the-board military pay increase of 3.7 percent. In addition, mid-grade officers and mid-grade noncommissioned and petty officers will receive targeted raises of up to 6.25 percent.

On the civilian personnel side, the legislation sets up the National Security Personnel System. The system is a new way of managing DoD's civilian workforce, and was a centerpiece of Defense Secretary Donald H. Rumsfeld's transformation efforts. The new system will make managing the civilian workforce easier and will allow defense managers to reshape the force to respond to the challenges of the 21st century, Chu said.

"We have great civilians in the department, but frankly they, as an institutional element of the department, were handicapped by the rules in which we had to operate," he said. "What this does is liberate us from the perceived restrictions of the past. It gives us a modern transformational way of hiring people, advancing them, reassigning them."

The system also will give the civilian workforce a whole new pay construct called "pay banding," which will include pay for performance. "We will be moving away from the general-schedule system," Chu said. "This allows us to be much more competitive in terms of setting salaries, and allows us to adjust salaries as duties change."

The change will make it easier for defense managers to reward top performers, Chu said. "It will be helpful in terms of recruiting, because it says to a young person, 'This is the kind of organization that if you are a high performer, you'd like to join,'" Chu said.

The legislation also gives the department a new way to negotiate with unions. Now the department will be able to bargain at the national level on cross-cutting human resource issues, the under secretary said.

"It's now our job to implement the act," Chu said. Department officials will communicate with workers and listen to their suggestions. "One of the first things we will resolve is who gets to be the first group of employees to join this new system, and how is that transition going to unfold," Chu said. He is appointing an implementation team and said he will have the answers shortly. He added that employees will start to see changes from the new system in 2004.

The under secretary also spoke about the environmental provision of the authorization act. He said the changes to the Marine Mammal Act and the Endangered Species Act recognize that DoD is a good steward of the environment. He said that when many DoD installations have been closed, the areas make "extraordinary wildlife areas because we kept out development."

But there has been an increasing clash between stewardship and military training, he said. "It is critical that our people train in a realistic way: that they are prepared, and they know exactly what to do when they hit the

ground in a combat environment," Chu said. The changes Congress made will allow the military to do just that, he added.

DoD officials still believe the pay of a mid-career NCO still is a little short of comparable salaries in the private sector, so another targeted pay raise is a possibility. "Ultimately it's the president's decision to make," Chu said. "I can't commit to what we're going to do, but I do think we will look seriously at this (targeted pay raise) again. We want to be fair to our people, especially with the burdens they bear."

OFFICE OF DEFENSE PROCUREMENT AND ACQUISITION POLICY TRANSFERS TWO E-GOV INITIATIVES TO FEDERAL COUNTERPARTS

The Office of Defense Procurement and Acquisition Policy (DPAP) announced that two major Department of Defense eBusiness initiatives are being transitioned to their Federal counterparts. The DoD BusinessOpportunities (DoDBusOpps) Web site will be retired by the end of FY04, and functions transitioned to the Federal Business Opportunities (FedBizOpps) Web site (<http://www.fedbizopps.gov>).

"Eliminating the DoD Web presence will make it easier for vendors to find contracting opportunities in a single location", said DoDBusOpps Program Manager Richard Clark, "Moreover, we are meeting the e-Gov mandate to simplify and unify the e-Business jungle."

The Federal Technical Data Solution (FedTeDS) utilized an existing Department of Defense (DoD) system, DoDTeDS, deployed in the Air Force and tested by Navy, as a foundation to leverage the best practices. FedTeDS provides a secure Government-wide location for vendor access to sensitive but unclassified acquisition-related materials, including technical data packages and construction drawings. To avoid duplication, DoD turned off the DoD-unique DoDTeDS application in March.

"The work the Air Force and Navy did with DoDTeDS is strongly reflected in this new product" said Mark Krzysko, Deputy Director for Defense Procurement and Acquisition Policy (eBusiness). "We are proud to retire DoDTeDS knowing that the improved FedTeDS is streamlining procurement processes for all Federal agencies."



ACQUISITION,
TECHNOLOGY AND
LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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OCT -8 2003



DPAP/EB

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DIRECTOR, ARMY CONTRACTING AGENCY
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RD&A)
DEPUTY ASSISTANT SECRETARY OF THE AIR
FORCE (CONTRACTING), SAF/AQC
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DEPUTY DIRECTOR FOR LOGISTICS OPERATIONS (DLA)

SUBJECT: Wide Area Workflow Joint Requirements Board

In the attached memorandum of February 6, 2003, Mr. E.C. Aldridge, Jr., and Dr. Dov Zakheim stated the importance of complete implementation of Wide Area Workflow (WAWF) to achieve the Department's financial management and E-Government goals and reduce operations costs. In support of achieving these goals through the use of WAWF, I am reconstituting the WAWF Joint Requirements Board (JRB) to better facilitate the rapid implementation of WAWF across the Department. Mr. Mark Krzysko, my Deputy Director for E-Business will co-chair the JRB with Mr. Michael Williams, Executive Director Information Technology at Defense Contract Management Agency. I appreciate your continued support of this board and expect your utmost support of Wide Area Workflow implementation.

My action officer regarding this subject is COL Ray Montford, 703-614-3882, ray.montford@osd.mil.

Deidre A. Lee
Director, Defense Procurement and
Acquisition Policy

Attachment:
As stated

Editor's Note: To download the Feb. 6, 2003, memorandum from Secretaries Aldridge and Zakheim, go to the Director, Defense Procurement and Acquisition Policy Web site: <<http://www.acq.osd.mil/dpap/policy/policydocs.htm>>.





ACQUISITION,
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October 10, 2003

DPAP/P

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES

**DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RD&A)
DEPUTY ASSISTANT SECRETARY OF THE AIR
FORCE (CONTRACTING), SAF/AQC
DEPUTY DIRECTOR FOR LOGISTICS (DLA)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, ARMY CONTRACTING AGENCY**

**SUBJECT: Applicability of the Javits-Wagner-O'Day (JWOD) Program and the
Randolph-Sheppard (RS) Act**

The purpose of this memorandum is to clarify the procurement relationship between products and services available from the Committee for Purchase From People Who Are Blind or Severely Disabled (JWOD Act) and the Randolph-Sheppard (RS) Act operation of vending facilities (including cafeterias and mess halls). Specifically, there is a provision in the Federal Acquisition Regulation that requires contracting officers to give effect to both statutory schemes in the same procurement.

The purpose of the JWOD Act is to provide employment for those who might otherwise not be able to make a living. The JWOD Act requires that a significant percentage of workers at JWOD facilities or under JWOD programs must be disabled. By contrast, the RS Act requires that a priority be given to blind persons licensed by a State agency for the operation of vending facilities on Federal property. However, while the RS Act provides entrepreneurial opportunities to blind vendors to own and operate their own businesses, it does not place any requirements on the RS licensees with respect to the staffing of the facility.

Today's acquisition environment supports contracts that utilize both RS and JWOD resources. In May 1998, changes were made to 41 CFR 51-5.2(e), Mandatory Source Requirement, to state "contracting activities procuring services which have included within them services on the Procurement List shall require their contractors for the larger service requirement to procure the included Procurement List services from nonprofit agencies designated by the Committee." Subsequently, the Federal Acquisition Regulation (Sections 8.001, 8.003, 44.202-2 and 52.208-9) was amended on December 18, 2001, to make corresponding changes relating to preferences for award of subcontracts under service contracts to nonprofit workshops designated under the JWOD Act. Based upon

the foregoing, solicitations for the operation of vending facilities must contain a contract requirement that the prime contractor subcontract with JWOD for any JWOD-listed product or service. Because this requirement applies to all prime contractors for vending facilities, it is consistent with the priority under the RS Act.

By requiring blind vendors receiving contracts for the operation of cafeterias or mess halls at Department facilities to hire staff under JWOD, this requirement has the desired effect of recognizing the statutory purposes of both JWOD and the RS Act. Your continued support of both JWOD and the RS Act is extremely important to the Department and vital to the recognition and achievements of people with disabilities.

If you have any questions regarding the Department's policies or procedures for doing business with RS or JWOD, please contact Ms. Susan Schneider at (703) 614-4840.



Deidre A. Lee
Director, Defense Procurement and
Acquisition Policy



ACQUISITION,
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OCT 14 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPUTY DIRECTOR FOR LOGISTICS OPERATIONS (DLA)
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Implementation of the Department of Defense (DoD) Trading Partner Number (TPN) for Intra-governmental Transactions

To facilitate accurate accounting of intra-governmental transactions across the government, the Office of Management and Budget (OMB) developed a process for better identifying these transactions as they occur. This process is in its [early](#) stages of implementation, and there is a DoD integrated process team (IPT) working our transition strategy and plans. However, you need to be aware of one initial requirement that is beginning to take effect across the government.

As noted in the OMB guidance and business rules provided at Attachment A, Federal Agencies that acquire goods or services from or provide goods or services to another Federal Agency must identify themselves with a unique trading partner number (TPN) on intra-governmental transactions. All TPNs are registered by Federal Agencies in the Federal Register (FedReg) module of the Business Partner Network (BPN) as a part of the electronic government (eGov) Integrated Acquisition Environment (IAE) initiative. Non-DoD agencies use Dun and Bradstreet's Data Universal Numbering System (DUNS) numbers as their identifiers. The OMB is allowing the Department to use DoD Activity Address Codes (DoDAACs) preceded by the alpha characters of "DOD" as TPNs. The DoDAAC file (known as the DoDAAF) serves as the basis for the DoD TPN file and is transmitted to the FedReg module daily.

Because some Federal Agencies are already beginning full implementation of the OMB business rules for all intra-governmental transactions, [the use of the TPNs as prescribed is effective immediately when processing transactions with non-DoD agencies](#). When a non-DoD Agency requests your TPN or DUNS number to process a transaction, you should provide the



“DOD” plus DoDAAC identifier (e.g., “DOD” plus HQ0019 equals DODHQ0019). The construction of this 9-character DoD TPN meets the OMB requirement.

Additionally, it is crucial that the records of your agency's/activity's DoDAACs are complete and kept current. It is critical that you review your DoDAACs as recorded in the DoDAAF and maintain the information accordingly. Mr. Jack Carter of the Defense Logistics Agency (DLA) is the DoD's Agency Registration Official (ARO) for intra-governmental transactions. Additionally, a list of Central Service Points (CSPs) of Contact is provided at Attachment B. The CSPs are those individuals, assigned by Service/Component, who can assign new DoDAACs. If you are unsure of your DoDAAC or need to request one be assigned, please contact the appropriate CSP from Attachment B. Any other questions regarding the DoDAAC can be addressed to Mr. Carter, the DoD ARO, at 703-767-0684 or via e-mail at jackie.carter@dla.mil.

Further guidance regarding the use of intra-governmental transactions will be issued at a later date. Our action officers for this issue are Eileen Parlow, Office of the Under Secretary of Defense (Comptroller), 703-697-7297, eileen.parlow@osd.mil, from the Finance Domain; and Lisa Romney, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, 703-614-3883, lisa.romney@osd.mil, from the Acquisition Domain.



Deidre A. Lee
Director, Defense Procurement and
Acquisition Policy



JoAnn Boutelle
Deputy Chief Financial Officer

Attachments:
As stated

Editor's note: To download the attachments to his memorandum, go to the Director, Defense Procurement and Acquisition Policy Web site: <<http://www.acq.osd.mil/dpap/policy/policydocs.htm>>.



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DPAP/P

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Allocability and Allowability of costs Associated with the Intergovernmental
Personnel Act (IPA) Mobility Program

This memorandum supercedes my January 28, 2003, memorandum on the Intergovernmental Personnel Act (IPA) Mobility Program (5 USC Sections 3371 through 3375) in its entirety. The guidance contained in this memorandum applies to all DoD personnel involved in negotiating, signing, and administering IPA agreements.

Background. The IPA Mobility Program (5 USC Sections 3371 through 3375) provides for the temporary assignment of personnel between the Federal Government and state and local governments, institutions of higher education, Indian tribal governments, federally funded research and development centers (FFRDC), and other eligible organizations. These assignments are intended to facilitate cooperation between the Federal Government and the non-Federal entity through the temporary assignment of skilled personnel. When non-Federal personnel are assigned to a Federal entity, there is a written agreement which records the obligations and responsibilities of the Federal and non-Federal entities, including provisions for reimbursement of costs associated with the program. Questions were raised regarding the allocability and allowability of some of these costs.

The regulations governing the implementation of the IPA program are contained at 5 CFR Part 334. In addition, the Office of Personnel Management (OPM) published guidance regarding various aspects of the IPA program at <http://www.opm.gov/programs/ipa/index.asp>. This guidance includes the following statement:

“Agencies should not authorize reimbursement for indirect or administrative costs associated with the assignment. These include charges for preparing and maintaining payroll records, developing reports on the mobility assignment, and negotiating the agreement. Other prohibited costs include tuition credits, office space, furnishings, supplies, staff support, and computer time.”



Our discussions with OPM disclosed that the above statement is not intended to prohibit the reimbursement of an allocable share of contractor indirect costs, including the types of costs specifically listed, provided such allocation is consistent with the contractor's established cost accounting practices. OPM is currently clarifying the guidance to state that (1) the statutory authority establishing the IPA program does not specifically prohibit reimbursement of indirect costs, and (2) reimbursement of such costs should be determined by the agency that enters into the agreement.

Reimbursement of Indirect Costs. DoD contracting personnel may provide for the reimbursement of contractor indirect costs associated with the IPA program, provided such costs are the type that are allocable and allowable under the regulations that govern the reimbursement of contractor costs (e.g., FAR Part 31 or applicable OMB Circulars) for federally funded awards (cost-based contracts, grants, agreements). However, before reimbursing any indirect costs associated with IPA agreements, DoD personnel must ensure that the organization (e.g., university, non-profit organization, FFRDC) and its cognizant federal agency for negotiation and administration of indirect cost rates have a written agreement that specifies the proper allocation of indirect costs associated with IPA agreements (see Allocation of Indirect Costs below). Absent such an agreement, DoD personnel should not authorize the reimbursement of indirect costs associated with IPA agreement.

Allocation of Indirect Costs. A written agreement specifying the proper allocation of indirect costs associated with IPA agreements is essential to ensure that all cost objectives of the contractor absorb their proper share of indirect costs. Due to the unique nature of these agreements, indirect cost allocations should generally be limited to applicable fringe benefit costs and a reduced allocation of General and Administrative costs that includes only those functions or categories that provide benefit to IPA agreements.

For those organizations subject to Cost Accounting Standards (CAS) 403, 410, or 418, DoD personnel should ensure that the organization has a written agreement with its cognizant federal agency specifying the special allocation for indirect costs associated with IPA agreements. For those organizations covered by OMB Circulars A-21 and A-122, and not subject to either CAS 403, 410, or 418, DoD personnel should ensure that the organization has a written agreement with its cognizant federal agency that includes a special indirect rate for IPA agreements.

Cost Sharing. The guidance in this memorandum does not preclude DoD personnel from providing for cost sharing of indirect costs under IPA agreements in accordance with applicable OPM guidance at <http://www.opm.gov/programs/ipa/index.asp>, which includes the following:

Cost-sharing arrangements for mobility assignments are negotiated between the participating organizations. The federal agency may agree to pay all, some, or none of the costs associated with an assignment. Costs may include basic pay, supplemental pay, fringe benefits, and travel and relocation expenses.

Cost-sharing arrangements should be based on the extent to which the participating organizations benefit from the assignment. The larger share of the costs should be absorbed by the organization which benefits most from the assignment. Exceptions might occur when an organization's resources do not permit costs to be shared on a relative benefit basis.

Applicability of Guidance to Existing and Future IPA Agreements. This guidance should be applied to all future IPA agreements. The guidance also may, but is not required, to be applied in determining the reimbursement of allocable indirect costs for existing IPA agreements. However, DoD personnel may modify existing agreements only when adequate consideration is exchanged in return for the modification.

Limitation on Compensation. IPA compensation should normally not exceed Level I of the Executive Schedule. However, there may be exceptional circumstances where the need arises for the compensation plus benefits to exceed Level I. The selecting official must justify such exceptions in writing in accordance with Component procedures. In no case should annual compensation, excluding benefits but including basic pay, allowances, differentials, bonuses, and awards, exceed Level I.

Policy Responsibility for IPA. The Office of the Deputy Under Secretary (Civilian Personnel Policy) has overall responsibility for policy concerning the IPA. The point of contact for the IPA at Civilian Personnel Policy is Ms. Jeanne Raymos (703-695-7901), jeanne.raymos@osd.mil.

If you have any questions regarding this memorandum, please contact Mr. David J. Capitano, Senior Procurement Analyst, at 703-847-7486 or david.capitano@osd.mil.


for Deidre A. Lee
Director, Defense Procurement and
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