



Policy & Legislation

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050207

DoD published the following changes to the DFARS on Feb. 7, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/dars/dfars/changenotice/index.htm>.

Final Rules

Polyacrylonitrile (PAN) Carbon Fiber-Restriction to Domestic Sources (DFARS Case 2004-D002)

Extends, from May 31, 2005, to May 31, 2006, the ending date for inclusion of PAN carbon fiber domestic source requirements in solicitations and contracts. Applies to acquisitions for major systems that are not yet in development and demonstration (milestone B as defined in DoD Instruction 5000.2). Revises the prescription for use of the clause at DFARS 252.225-7022, Restriction on Acquisition of PAN Carbon Fiber, to reflect the extension.

Small Business Competitiveness Demonstration Program (DFARS Case 2003-D063)

Supplements FAR policy that requires a statement on the face page of contracts to identify awards under the Small Business Competitiveness Demonstration Program. Facilitates the use of automated systems by permitting alternative means of identifying a contract as an award under the Program.

Tax Procedures for Overseas Contracts (DFARS Case 2003-D031)

Relocates text to the new DFARS companion resource, *Procedures, Guidance, and Information (PGI)*, available at <http://www.acq.osd.mil/dpap/dars/pgi>. The relocated text contains procedures for use by contracting officers in obtaining tax relief and duty-free import privileges for acquisitions conducted in Spain and the United Kingdom.

Proposed Rule

Extraordinary Contractual Actions (DFARS Case 2003-D048)

Proposes to update requirements for processing a contractor's request for extraordinary contract adjustment. The proposed change includes relocation of text to the new DFARS companion resource, *Procedures, Guidance, and Information*. The relocated text contains procedures for preparation of records relating to contractor requests

for adjustment and for submission of those requests to a contract adjustment board.

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050222

DoD published the following changes and proposed changes to the DFARS on Feb. 22, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at [http://www.acq.osd.mil/dpap/dars/dfars/change notice/index.htm](http://www.acq.osd.mil/dpap/dars/dfars/changenotice/index.htm).

Interim Rule

Provision of Information to Cooperative Agreement Holders (DFARS Case 2004-D025)

Increases, from \$500,000 to \$1,000,000, the threshold at which DoD contracts must include a requirement for the contractor to provide to cooperative agreement holders, upon their request, a list of the contractor's employees who are responsible for entering into subcontracts. Amends the prescription for use of the clause at DFARS 252.205-7000, Provision of Information to Cooperative Agreement Holders, to reflect the new dollar threshold. This change implements Section 816 of the National Defense Authorization Act for Fiscal Year 2005.

Final Rules

Government Source Inspection Requirements (DFARS Case 2002-D032)

Eliminates government source inspection requirements for contracts or delivery orders valued below \$250,000, unless mandated by DoD regulation, required by a memorandum of agreement between the acquiring department or agency and the contract administration agency, or determined necessary by the contracting officer because of the technical nature and criticality of the item being acquired. The objective is to focus diminishing contract management resources on high-risk areas, while providing flexibility for exceptions where needed.

Resolving Tax Problems (DFARS Case 2003-D032)

Relocates text to the new DFARS companion resource, *Procedures, Guidance, and Information (PGI)*, available at <http://www.acq.osd.mil/dpap/dars/pgi>. The relocated text contains guidance on resolution of tax issues and information on tax relief agreements between the United States and foreign governments.



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Bonds (DFARS Case 2003-D033)

Updates DFARS text on the use of bonds for financial protection against losses under DoD contracts. The change clarifies that fidelity and forgery bonds are authorized for use when necessary for protection of the government or the contractor or when the investigative and claims services of a surety company are desired.

Proposed Rules

Acquisition of Ball and Roller Bearings (DFARS Case 2003-D021)

Proposed change improves the clarity of domestic source restrictions on the acquisition of ball and roller bearings by addressing only the exceptions, waivers, and waiver authority available to the contracting officer under current law; and by making the restrictions inapplicable to bearings that are commercial components of non-commercial end items or components.

Specialized Service Contracting (DFARS Case 2003-D041)

Proposed change relocates to PGI, procedures for defining the geographic area to be covered by mortuary services contracts, and procedures for distribution of those contracts; deletes a contract clause containing facility requirements for mortuary services, as these requirements are adequately addressed in State law; and deletes unnecessarily restrictive text on contracting for laundry and dry cleaning services.

Advisory and Assistance Services (DFARS Case 2003-D042)

Proposed change deletes a definition of advisory and assistance services that is used primarily for budgeting and reporting purposes and is adequately addressed in financial management regulations; deletes obsolete text on contracting for engineering and technical services and requesting activity responsibilities; and relocates to PGI, a list of DoD publications that govern the conduct of audits.

Acquisition of Telecommunications Services (DFARS Case 2003-D055)

Proposed change revises DFARS text on the acquisition of telecommunications services to update terminology, delete obsolete text, and add text addressing DoD's authority to enter into contracts for telecommunications resources. Adds to PGI, historical documents on delegated authority from the General Services Administration for the procurement of communications services.

Acquisition of Utility Services (DFARS Case 2003-D069)

Proposed change deletes DFARS text on the use of competitive procedures and delegated authority to acquire utility services, as these issues are adequately addressed in the FAR; deletes obsolete text on preaward contract reviews; and relocates to PGI, procedures and corresponding definitions related to connection charges and award of separate contracts for utility services.

Utility Rates Established by Regulatory Bodies (DFARS Case 2003-D096)

Proposed change clarifies that utility rates established by independent regulatory bodies may be relied upon as fair and reasonable; and clarifies requirements for use of contract clauses addressing changes in rates for regulated and unregulated utility services.

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050323

DoD published the following changes and proposed changes to the DFARS on March 23, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/dars/dfars/change_notice/index.htm>.

Interim Rule

Contractor Performance of Acquisition Functions Closely Associated with Inherently Governmental Functions (DFARS Case 2004-D021)

Permits contracting for acquisition functions closely associated with inherently governmental functions only if: appropriate DoD personnel are not available to perform the functions; appropriate DoD personnel will supervise contractor performance and will perform all associated inherently governmental functions; and the agency addresses any potential contractor organizational conflict of interest. Implements Section 804 of the National Defense Authorization Act for Fiscal Year 2005, and is intended to ensure proper management and oversight of contracts for acquisition functions that are closely associated with inherently governmental functions.

Final Rules

Contractor Performance of Security-Guard Functions (DFARS Case 2004-D032)

Conditionally extends, from Dec. 1, 2005, to Sept. 30, 2006, authority for contractor performance of security-guard functions at military installations or facilities to meet the increased need for such functions since Sept. 11, 2001. Implements Section 324 of the National De-



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fense Authorization Act for Fiscal Year 2005, which requires DoD to submit a report to Congress on the use of this authority, no later than Dec. 1, 2005, to permit extension of the authority.

Extension of Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans (DFARS Case 2004-D029)

Extends, from Sept. 30, 2005, to Sept. 30, 2010, the test program that permits negotiation of comprehensive small business subcontracting plans with DoD contractors. The test program is intended to determine whether comprehensive subcontracting plans on a corporate, division, or plant-wide basis will reduce administrative burdens while enhancing subcontracting opportunities for small and small disadvantaged business concerns. The extension implements Section 843 of the National Defense Authorization Act for Fiscal Year 2005.

Major Systems Acquisition (DFARS Case 2003-D030)

Updates references to the DoD 5000 series documents with regard to major systems acquisition and earned value management systems. Relocates DFARS text on earned value management from Part 234, Major Systems Acquisition, to Part 242, Contract Administration, since earned value management requirements are not limited to major systems. The corresponding earned value management provision and clause are relocated from DFARS 252.234-7000 and 252.234-7001, to 252.242-7001 and 252.242-7002, respectively, with no substantive change, other than update of references to DoDI 5000.2.

A March 7, 2005, memorandum from the acting under secretary of defense (acquisition, technology and logistics) containing additional changes to DoD earned value management policy is shown on p. 80 of this issue.

Proposed Rules

Foreign Acquisition (DFARS Case 2003-D008)

Proposed change updates and clarifies DFARS text on the acquisition of supplies and services from foreign sources. Relocates to PGI, guidance on evaluating offers of foreign end products; information on international agreements; and procedures for contracting with qualifying country sources, for administration of duty-free entry provisions, and for acquisitions involving foreign military sales requirements.

Restrictions on Totally Enclosed Lifeboat Survival Systems (DFARS Case 2004-D034)

Proposed change removes DFARS text addressing restrictions on the acquisition of totally enclosed lifeboats from foreign sources. The text proposed for removal is based on fiscal year 1994 and 1995 appropriations act provisions that are no longer considered applicable and other statutory provisions that apply only to the Navy.

Contracting by Negotiation (DFARS Case 2003-D077)

Proposed change updates DFARS text on contracting by negotiation and source selection. Relocates to PGI, procedures for preparation of source selection plans and examples of source selection evaluation factors.

Contract Modifications (DFARS Case 2003-D024)

Proposed change deletes unnecessary text on contract modifications; clarifies procedures for determining if a request for equitable adjustment requires contractor certification; and relocates to PGI, procedures for identifying foreign military sales requirements, for obligating or deobligating contract funds, and for review and definition of change orders.

Component Breakout (DFARS Case 2003-D071)

Proposed change relocates the contents of DFARS Appendix D, Component Breakout, to PGI with no substantive change. Breaking out components of end items permits the government to purchase the components directly from the manufacturer or supplier and furnish them to the end item manufacturer as Government-furnished material for future acquisitions.

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050412

DoD published the following final and proposed DFARS changes on April 12, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/dars/dfars/changenotice/index.htm>.

Final Rule

Personal Services Contracts (DFARS Case 2003-D103)

Adopts as final, without change, the interim rule published on Sept. 17, 2004 (DFARS Change Notice 20040917). The rule provides authority for DoD to enter into personal services contracts for health care at locations outside of medical treatment facilities, and for urgent or unique services that are to be performed outside the United States or that directly support the mission of a DoD intelligence or counter-intelligence organization or the special operations command. The rule implements Sections 721 and 841 of the National Defense Autho-



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rization Act for Fiscal Year 2004, and enables the award of contracts for specialized services that would be impractical for DoD to obtain by other means.

Proposed Rules

Administrative Matters (DFARS Case 2003-D084)

Relocates administrative procedures for signature of contract documents to PGI; deletes unnecessary cross-references; and deletes text on security requirements and IRS reporting requirements that are adequately addressed in the FAR.

Uniform Contract Line Item Numbering (DFARS Case 2003-D082)

Eliminates certain exceptions to requirements for uniform contract line item numbering, to promote standardization in contract writing; and relocates to PGI, procedures for use and numbering of contract exhibits and attachments.

Simplified Acquisition Procedures (DFARS Case 2003-D075)

Updates and consolidates text on the use of imprest funds and third-party drafts; deletes unnecessary cross-references; and relocates to PGI, guidance on the use of unilateral contract modifications and procedures for use of forms for purchases made using simplified acquisition procedures.

Use of the Governmentwide Commercial Purchase Card for Micro-Purchases (DFARS Case 2003-D059)

Lowers the approval level for exceptions to DoD policy for use of the governmentwide commercial purchase card for actions at or below the micro-purchase threshold, from a general or flag officer or a member of the Senior Executive Service, to the chief of the contracting office. Also adds a new blanket exception that applies if an authorized official renders the agency's or activity's purchase card program inactive.

Socioeconomic Programs (DFARS Case 2003-D029)

Relocates policy for contracting with historically black colleges and universities and minority institutions (HBCU/MIs) to a new location within the DFARS, for consistency with the location of FAR policy on this subject; updates the relocated text to exclude information on HBCU/MI contract percentage goals and infrastructure assistance that is unnecessary for inclusion in the DFARS; deletes text on base closures and realignments that duplicates policy found elsewhere in the DFARS; and relocates to PGI, procedures for obtaining funds for incen-

tive payments to contractors that award subcontracts to Indian organizations and enterprises.

Environment, Occupational Safety, and Drug-Free Workplace (DFARS Case 2003-D039)

Deletes unnecessary cross-references and general statements regarding hazard warning labels and a drug-free workplace; relocates text on ozone-depleting substances to a more appropriate location within the DFARS; and relocates to PGI, internal DoD procedures on safety precautions for ammunition and explosives and use of recovered materials.

Contract Administration (DFARS Case 2003-D023)

Deletes text that is unnecessary or duplicative of FAR policy in the areas of: visits to contractor facilities; conduct of postaward conferences; review and negotiation of contractor costs and billing rates; use of contractor past performance information; and contractor internal controls. Relocates procedures to PGI in the areas of: providing contract administration services to foreign governments and international organizations; coordination between corporate and individual administrative contracting officers; processing of contractor novation and change-of-name agreements; processing of voluntary refunds from contractors; and providing technical representatives at contractor facilities. Updates the clause on contractor material management and accounting systems for consistency with policy found in the prescriptive DFARS text.

Subcontracting Policies and Procedures (DFARS Case 2003-D025)

Clarifies government responsibilities for conducting reviews of contractor purchasing systems; updates a reference to a FAR clause on contracts for commercial items; and relocates to PGI, examples of weaknesses in a contractor's purchasing system that may indicate the need for a review.

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050421

DoD published the following proposed DFARS change on April 21, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/dars/dfars/changenotice/index.htm>.

Proposed Rule

Radio Frequency Identification (DFARS Case 2004-D011)



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Proposed DFARS change requires contractors to—

- Affix passive radio frequency identification (RFID) tags to the exterior packaging of shipments to identify the contents; and
- Electronically submit advance shipment notices to DoD to permit receiving personnel to associate the RFID tag data with the corresponding shipment.

Applies to shipments that—

- Contain packaged operational rations, clothing, individual equipment, tents, tools, housekeeping supplies and equipment, personal demand items, or repair parts and components; and
- Will be delivered to the Defense Distribution Depot in Susquehanna, Pa., or the Defense Distribution Depot in San Joaquin, Calif.

The change will improve visibility of DoD assets in the supply chain and will permit more efficient movement of supplies to U.S. and coalition troops.

DEFENSE FAR SUPPLEMENT (DFARS) CHANGE NOTICE 20050422

DoD published the following final DFARS changes on April 22, 2005. Access these changes through links on the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/dars/dfars/changenotice/index.htm>.

Final Rules

Unique Item Identification and Valuation (DFARS Case 2003-D081)

Finalizes, with changes, the interim rule published in DFARS Change Notice 20040101.

The rule requires contractors to provide—

- Unique identification of marking of all delivered items for which the government's unit acquisition cost is \$5,000 or more, and certain items for which the government's unit acquisition cost is less than \$5,000 (e.g. serially managed, mission essential, and controlled inventory); and
- the government's unit acquisition cost of all delivered items, as part of or associated with the Material Inspection and Receiving Report (DD Form 250).

The final rule includes exceptions to UID requirements for—

- Items to be used in support of a contingency operation or to facilitate the defense against or recovery from nuclear, biological, chemical, or radiological attack; and

- Commercial items or items acquired from a small business concern if the component acquisition executive (for ACAT I programs) or the head of the contracting activity (for all other programs) executes a determination and findings that it is more cost effective for the government to assign, mark, and register the UID after delivery.

Unique identification enables DoD to consistently capture the value of the items it buys, control these items during their use, and combat counterfeiting of parts. Additional information on DoD's unique identification policy can be found at <http://www.acq.osd.mil/uid>.

Reporting Contract Performance Outside the United States (DFARS Case 2004-D001)

Clarifies requirements for contractor reporting of contract performance outside the United States; and establishes two separate clauses to eliminate confusion between two reporting requirements previously contained in one clause. Relocates text on contracting officer distribution of reports to PGI. The reporting requirements apply to solicitations and contracts with a value exceeding \$500,000.

DEPARTMENT OF DEFENSE NEWS RELEASE (MARCH 18, 2005) DEPARTMENT OF DEFENSE RELEASES THE NATIONAL DEFENSE AND THE NATIONAL MILITARY STRATEGIES

The Department of Defense released its National Defense Strategy (NDS) and National Military Strategy (NMS) today. These strategies outline an active, layered approach to the defense of the nation and its interests. They seek to create conditions conducive to respect for the sovereignty of nations and a secure international order favorable to freedom, democracy, and economic opportunity. The strategies promote close cooperation with others around the world who are committed to these goals and address mature and emerging threats.

“Since 9/11, the Department has updated its strategic thinking—incorporating lessons learned from Iraq, Afghanistan, and other operations,” said Douglas J. Feith, under secretary of defense for policy. “We now have a strategy that positions us better to handle strategic uncertainty, recognizes the value of measures to resolve problems before they become crises and crises before they become wars, and emphasizes the importance of building partnership capacity to address security problems.”



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The NDS is issued periodically, and the NMS is updated every two years. These documents outline how the Department supports the president's National Security Strategy and provide the strategic context for the ongoing Quadrennial Defense Review.

The NDS defines DoD's strategic objectives: securing the U.S. from direct attack; securing strategic access and retaining freedom of action; strengthening alliances and partnerships; and establishing security conditions conducive to a favorable international order.

The NMS provides strategic guidance to the armed forces on how to support NDS objectives. It sets forth three military objectives: protecting the U.S.; preventing conflict and surprise attack; and prevailing against adversaries.

Link to NDS: <<http://www.defenselink.mil/news/Mar2005/d20050318nds2.pdf>>.

Link to NMS: <<http://www.defenselink.mil/news/Mar2005/d20050318nms.pdf>>.

GAO REPORTS

The following Government Accountability Office (GAO) reports may be downloaded from the GAO Web site at <<http://www.gao.gov>>.

National Defense

Defense Acquisitions: Improved Management Practices Could Help Minimize Cost Growth in Navy Shipbuilding Programs, GAO-05-183, Feb. 28, 2005

Defense Acquisitions: Plans Need to Allow Enough Time to Demonstrate Capability of First Littoral Combat Ships, GAO-05-255, March 1, 2005

Tactical Aircraft: Status of the F/A-22 and JSF Acquisition Programs and Implications for Tactical Aircraft Modernization, GAO-05-390T, March 3, 2005

Maritime Administration: Improved Program Management Needed to Address Timely Disposal of Obsolete Ships, GAO-05-264, March 7, 2005

Unmanned Aerial Vehicles: Improved Strategic and Acquisition Planning Can Help Address Emerging Challenges, GAO-05-395T, March 9, 2005

Defense Microelectronics: DoD-Funded Facilities Involved in Research Prototyping or Production, GAO-05-278, March 11, 2005

Tactical Aircraft: Air Force Assessment of the Joint Strike Fighter's Aerial Refueling Method, GAO-05-316R, March 14, 2005

Tactical Aircraft: Opportunity to Reduce Risks in the Joint Strike Fighter Program with Different Acquisition Strategy, GAO-05-271, March 15, 2005

Tactical Aircraft: Air Force Still Needs Business Case to Support F/A-22 Quantities and Increased Capabilities, GAO-05-304, March 15, 2005

Human Capital: Preliminary Observations on Proposed DoD National Security Personnel System Regulations, GAO-05-432T, March 15, 2005

Defense Acquisitions: Future Combat Systems Challenges and Prospects for Success, GAO-05-442T, March 15, 2005

Defense Acquisitions: Changes in E-10A Acquisition Strategy Needed before Development Starts, GAO-05-273, March 15, 2005

Defense Acquisitions: Future Combat Systems Challenges and Prospects for Success, GAO-05-428T, March 16, 2005

Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts, GAO-05-274, March 17, 2005

Defense Logistics: High-Level DoD Coordination Is Needed to Further Improve the Management of the Army's LOGCAP Contract, GAO-05-328, March 21, 2005

Defense Acquisitions: Information for Congress on Performance of Major Programs Can Be More Complete, Timely, and Accessible, GAO-05-182, March 28, 2005

Defense Acquisitions: Assessments of Selected Major Weapon Programs, GAO-05-301, March 31, 2005

Defense Acquisitions: Status of Ballistic Missile Defense Program in 2004, GAO-05-243, March 31, 2005

Tactical Aircraft: F/A-22 and JSF Acquisition Plans and Implications for Tactical Aircraft Modernization, GAO-05-519T, April 6, 2005

Defense Logistics: Actions Needed to Improve the Availability of Critical Items during Current and Future Operations, GAO-05-275, April 8, 2005

Human Capital: Preliminary Observations on Proposed Department of Defense National Security Personnel System Regulations, GAO-05-517T, April 12, 2005

Science, Space, and Technology

Digital Broadcast Television Transition: Estimated Cost of Supporting Set-Top Boxes to Help Advance the DTV Transition, GAO-05-258T, Feb. 17, 2005

NASA's Space Vision: Business Case for Prometheus 1 Needed to Ensure Requirements Match Available Resources, GAO-05-242, Feb. 28, 2005

NASA: Compliance with Cost Limits, GAO-05-492R, April 8, 2005



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THE SECRETARY OF DEFENSE
1 000 DEFENSE PENTAGON
WASHINGTON, DC 20301 - 1000



JAN 25 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTOR, FORCE TRANSFORMATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

Subject: Fiscal Year 2005 Rapid Acquisition Authority (RAA)

The Global War on Terrorism and our recent experiences with Operations Iraqi Freedom and Enduring Freedom have highlighted the urgency of rapidly fulfilling the operational needs of our warfighters. In accordance with section 806 (c) of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (Pub. L. No. 107-314), as amended by section 811 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375), pertaining to RAA, the Secretary of Defense may make a written determination identifying equipment as urgently needed to eliminate a combat capability deficiency that has resulted in combat fatalities. This authority is limited to an aggregated amount of not more than \$100 million during any fiscal year.

All requests for a Secretarial determination under section 806 (c) shall be submitted to the Under Secretary of Defense (Acquisition, Technology & Logistics) (USD(AT&L)) through the Joint Rapid Acquisition Cell (JRAC). The JRAC will act as the organization responsible for receiving cases, recommending which cases require use of the RAA, and tracking progress on fulfillment of the urgent combat capability deficiency. In addition, the JRAC, in consultation with affected Services and/or Agencies, is authorized to identify funds available to DoD within the current fiscal year for acquisition of this equipment.

Requestors of needed equipment should follow the process and format as outlined in the Deputy Secretary of Defense's "Meeting Immediate Warfighter Needs" memorandum dated November 15, 2004. If a case is deemed a candidate for use of RAA, you will be requested to provide additional information in preparation for my written determination and Congressional Notification.

Points of contact are Dr. Robert Buhrkuhl, Director, JRAC, 703-692-5867, or Ms. Ann Reese, Deputy Director, JRAC, 703-697-1445, extension 124.



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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, DC 20301



FEB 7 2005



MEMORANDUM FOR: SEE DISTRIBUTION

Subject: Department of Defense (DoD) Business Transformation

To advance the development of world-class business operations in support of the warfighter, the Defense Business Systems Management Committee (DBSMC) is established. The DBSMC will recommend policies and procedures required to integrate DoD business transformation and to review and approve the defense business enterprise architecture and cross-Department, end-to-end interoperability of business systems and processes, as outlined in the attached charter. The DBSMC replaces the current Business Management Modernization Program governance structure.

The DBSMC is composed of the following members:

- Deputy Secretary of Defense (Chair);
- Under Secretary of Defense for Acquisition, Technology, and Logistics (Vice Chair);
- Secretaries of the Military Departments and the heads of the Defense Agencies;
- Under Secretary of Defense (Comptroller);
- Under Secretary of Defense for Personnel and Readiness;
- Vice Chairman of the Joint Chiefs of Staff;
- Commander, U.S. Transportation Command;
- Commander, U.S. Joint Forces Command;
- Assistant Secretary of Defense for Networks and Information Integration/DoD Chief Information Officer; and
- Director, Program Analysis and Evaluation (Advisory).

Attachment:
As stated

Editor's note: View the distribution and attachment to this memorandum at <http://www.defenselink.mil/comptroller/bmmp/products/Governance/DBSMC%20charter.pdf>.





Policy & Legislation

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, DC 20301



MAR 24 2005

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Delegation of Authority and Direction to Establish an Investment Review Process for Defense Business Systems

In order to ensure effective governance of investments in defense business systems and consistent with 10 U.S.C. § 2222(f), I delegate the authority for review, approval, and oversight of the planning, design, acquisition, deployment, operation, maintenance, and modernization of defense business systems to the following:

- (1) The Under Secretary of Defense for Acquisition, Technology and Logistics for any defense business system of which the primary purpose is to support acquisition activities, logistics activities, or installations and environment activities of the Department.
- (2) The Under Secretary of Defense (Comptroller) for any defense business system of which the primary purpose is to support financial management activities or strategic planning and budgeting activities of the Department.
- (3) The Under Secretary of Defense for Personnel and Readiness for any defense business system of which the primary purpose is to support human resource management activities of the Department.
- (4) The Assistant Secretary of Defense for Networks and Information Integration and the Chief Information Officer of the Department for any defense business system of which the primary purpose is to support information technology infrastructure or information assurance activities of the Department.

I shall retain authority of any defense business system of which the primary purpose is to support any DoD activity not covered by the delegations in paragraphs (1) through (4) above.

Consistent with 10 U.S.C. § 2222(g), the approval authorities designated above shall establish, not later than March 15, 2005, an investment review process consistent with guidelines to be issued by the Defense Business Systems Management Committee that includes review and approval of each Defense Business System before the obligation of funds on the system.

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS
 UNDER SECRETARIES OF DEFENSE
 GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
 INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
 DIRECTOR, ADMINISTRATION AND MANAGEMENT
 DIRECTOR, NET ASSESSMENT
 DIRECTORS OF THE DEFENSE AGENCIES

CHAIRMAN OF THE JOINT CHIEFS OF STAFF
 ASSISTANT SECRETARIES OF DEFENSE
 DIRECTOR, OPERATIONAL TEST AND EVALUATION
 ASSISTANTS TO THE SECRETARY OF DEFENSE
 DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
 DIRECTOR, FORCE TRANSFORMATION
 DIRECTORS OF THE DOD FIELD ACTIVITIES



Policy & Legislation



THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, DC 20301

MAR 24 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTOR, FORCE TRANSFORMATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Implementation Guidance on the Realignment of the Department of Defense (DoD) Business Transformation Program Management Office

Effective today, I am directing the transfer of program management, oversight and support responsibilities regarding DoD business transformation efforts from the Office of the Under Secretary of Defense (Comptroller (OUSD(C))) to the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)). This transfer is necessary to support the newly established Defense Business Systems Management Committee (DBSMC). The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) serves as the Vice Chair of the DBSMC. Transferring these functions and responsibilities will allow the USD(AT&L) to establish the level of activity necessary to support and coordinate DBSMC activities. This transfer also addresses the provisions and requirements set forth in Public Law 108-375, Section 332 of the National Defense Authorization Act for Fiscal Year 2005.

Consistent with this direction, I authorize the realignment of two civilian manpower authorizations and two Senior Executive Service resources from OUSD(C) to the OUSD(AT&L) for this essential business transformation program. All funds programmed and budgeted for the Business Modernization and Systems Integration (BMSI) Office will remain in the Office of the Secretary of Defense account, but shall be reclassified as AT&L. In addition, the BMSI is renamed the Transformation Support Office.

The Under Secretary of Defense (Comptroller) and Director of Administration and Management, in coordination with the USD(AT&L) shall expedite the actions necessary to implement this direction.



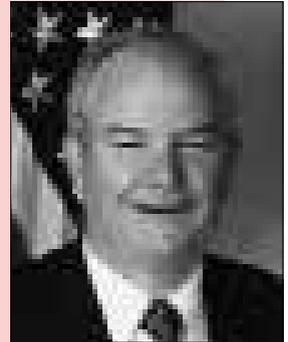
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ACQUISITION,
TECHNOLOGY AND
LOGISTICS

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301 - 3010

MAR 7 2005



MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Revision to DoD Earned Value Management Policy

Earned Value Management (EVM) has been an effective management control tool in the Department for the past 37 years. In order to streamline, improve, and increase consistency in EVM implementation and application, I am revising the policy to include the following changes, effective immediately.

1. Cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$20 million in then-year dollars shall implement the American National Standards Institute/Electronic Industries Alliance Standard 748, **Earned Value Management Systems** (ANSI/EIA-748). Cost or incentive contracts, subcontracts, and other agreements valued at or greater than \$50 million in then-year dollars shall have an EVM system that has been formally validated and accepted by the cognizant contracting officer. I intend to review these dollar thresholds, and revise them if necessary, at least every five years.
2. A Contract Performance Report (CPR) (Data Item Description (DID) number DI-MGMT-81466) (previously called the Cost Performance Report) and an Integrated Master Schedule (IMS) (DID number DI-MGMT-86150) shall be required whenever EVM (compliance with ANSI/EIA-748) is required, that is, for cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$20 million in then-year dollars. However, CPR and IMS reporting for cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at less than \$50 million in then-year dollars may be tailored (refer to the DoD Earned Value Management Implementation Guide (EVMIG) for guidance on tailoring reporting). A common work breakdown structure that follows the DoD Work Breakdown Structure Handbook (MIL-HDBK-881) shall be used for the CPR, IMS, and Contractor Cost Data Report (CCDR). The Cost/Schedule Status Report (C/SSR) is rescinded effective immediately (except to the extent that it is required under current contracts) and shall not be used to satisfy the EVM reporting requirement on future contract awards.
3. Integrated Baseline Reviews (IBRs) shall be required whenever EVM (compliance with ANSI/EIA-748) is required, that is, for cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$20 million in then-year dollars.
4. The responsibility and requirement for government surveillance of contracts remains unchanged and shall be based on the effectiveness of the contractor's implementation of internal management controls. Guidance on surveillance activity can be found in the DoD EVMIG.
5. EVM is discouraged on firm-fixed price, level of effort, and time and materials efforts, including contracts, subcontracts, intra-government work agreements, and other agreements, regardless of





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dollar value. If knowledge by both parties requires access to cost/schedule data, the first action is to re-examine the contract type (e.g., fixed price incentive). However, in extraordinary cases where cost/schedule visibility is required and cannot be obtained using the Truth in Negotiations Act, the program manager shall obtain a waiver for individual contracts from the Milestone Decision Authority. In these cases the program manager will conduct a business case that includes rationale for why a cost or fixed price incentive contract was not an appropriate contracting vehicle.

6. The application of EVM on cost or incentive efforts, including contracts, subcontracts, intra-government work agreements, and other agreements valued at less than \$20 million is optional and is a risk-based decision that is at the discretion of the program manager. A cost-benefit analysis shall be conducted before deciding to implement EVM in these situations. Considerations for determining the efficacy of applying EVM in these situations and guidance for tailoring reporting can be found in the DoD EVMIG.

These changes to EVM policy are not retroactive but shall be implemented on all applicable future contracts that are awarded based on solicitations or requests for proposal issued on or after 30 days from the date of this memorandum. These changes will be included in the next revision of the DoD 5000 series and other acquisition-related documents. While there is no prohibition on negotiating the revised policy into current contracts, the costs associated with changing the EVM requirements on existing contracts shall be borne by the government.

In support of the above policy changes, the Director, Acquisition Resources and Analysis, shall update all pertinent documents, to include DoD Instruction 5000.2, the Defense Acquisition Guidebook, and the CPR and IMS DIDs. The Director, Acquisition Resources and Analysis, shall work with the Director, Defense Procurement and Acquisition Policy, to update the Defense Federal Acquisition Regulation Supplement (DFARS) clauses. The Defense Contract Management Agency shall lead the efforts to update the DoD EVMIG. The Defense Acquisition University shall update its EVM curriculum.

Until the updated DFARS clauses are coordinated and approved, the existing clauses (252.234-7000 for solicitations and 252.234-7001 for contracts) shall be used. For contracts valued at or greater than \$50 million, these clauses shall be applied directly. For contracts valued at or greater than \$20 million but less than \$50 million, the following paragraph shall be included in the statement of work: ***“In regard to DFARS 252.234-7000 and 252.234-7001, the contractor is required to have an Earned Value Management System that complies with ANSI/EIA-748; however, the government will not formally validate/accept the contractor’s management system (no formal review).”*** While not required, if a risk-based decision is made to require EVM on cost or incentive contracts valued at less than \$20 million, the above paragraph shall also be included in the statement of work.

While it is preferred that Project Management/Earned Value Management costs be charged direct to the contract, the contractor shall follow their accounting policies and procedures.

Questions regarding the revised EVM policy should be directed to Ms. Debbie Tomsic (deborah/tomsic@osd.mil) or Mr. Larry Axtell (larry.axtell@osd.mil) at (703) 695-0707.

Michael W. Wynne

Editor’s note: View the distribution to this memorandum at <<http://akss.dau.mil/docs>>.



DOD IMPLEMENTS EARNED VALUE MANAGEMENT POLICY IMPROVEMENTS

Debbie Tomsic

Earned Value Management (EVM) is a widely accepted industry best practice for project management that is being used across the Department of Defense, the federal government, and the commercial sector. Consistent with industry practice, DoD adopted the American National Standards Institute/Electronic Industries Alliance Standard 748 (ANSI/EIA-748), *Earned Value Management Systems* (EVMS)—a.k.a. industry standard—in 1998.

On March 7, 2005, the under secretary of defense for acquisition, technology and logistics (USD(AT&L)) signed the memorandum preceding this article approving revisions to the DoD's EVM policy. The policy has been clarified to provide consistency in EVM application across DoD programs and to better manage the programs through improvements in DoD and industry EVM practices.

The previous EVM policy dates from the mid-1990s. Both industry and entities within the DoD expressed concerns about the state of EVM (and program management in general) in defense acquisition, citing inconsistency in the application of EVM, conflicting contractual requirements, duplicative management systems reviews, and unique surveillance oversight activities. These, as well as other factors, led DoD to re-examine its use of EVM to determine if changes were needed. Among the other factors were process and technology advancements and recent Office of Management and Budget (OMB) initiatives that revised the definition for major capital acquisitions and mandated the use of EVM to manage them.

The revised policy was developed by the Office of the Secretary of Defense (OSD) in consultation with the DoD stakeholders via the DoD EVM Working Group (military services, defense and intelligence agencies, the Defense Contract Management Agency (DCMA), and the Defense Acquisition University). It was also coordinated with OMB. Industry input was obtained through the National Defense Industrial Association (NDIA) and the industry representatives on the Government/Industry EVM Working Group.

Summarizing the Changes

OSD's EVM initiative resulted in several policy changes. The revised policy requires that all EVM applications comply with the industry standard. It also mandates new EVM application thresholds. The separate thresholds for

research, development, test, and evaluation (RDT&E) and procurement were eliminated. The lower threshold was raised from \$6.3 million (the former cost/schedule status report (C/SSR) threshold) to \$20 million. The upper threshold was lowered from \$73 million and \$315 million (the former RDT&E and procurement thresholds) to \$50 million. Other key changes were: revising and renaming the contract performance report (CPR) (previously titled cost performance report); expanding the application of the integrated master schedule (IMS) and integrating the IMS with the CPR; and clarifying the requirement for integrated baseline reviews (IBRs). In addition, the C/SSR and the cost performance report—no criteria were eliminated because they did not require contractor compliance with any minimum management control guidelines.

A business case analysis, based on DoD contracts data supplied by DCMA and industry-representative contracts data supplied by NDIA, concluded that the revised EVM policy would result in significant cost avoidance relative to the former EVM application thresholds. Specifically, the cost of eliminating C/SSRs on low dollar value contracts (below \$20 million) more than offsets the increased cost of additional CPRs (and tailored CPRs, which replace C/SSRs) on the higher dollar value contracts (\$20 million and above).

Compliance with Industry Standard

A contractor EVMS compliant with the current version of the industry standard (as interpreted by the *NDIA ANSI Intent Guide*) is required whenever EVM is required. The 32 EVM guidelines in the industry standard establish minimum management control guidelines for an EVMS; they ensure the validity of the EVM information relied upon by management.

New Application Thresholds

- EVM compliance is required on cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$20 million in then-year dollars. An EVMS that has been formally validated and accepted by the cognizant contracting officer is required on cost or incentive contracts, subcontracts, intra-work agreements, and other agreements valued at or greater than \$50 million in then-year dollars. Although validation is not required below \$50 million, the contractor must still comply with the industry standard. Once validated, continuing acceptance of a contractor's EVMS will be affirmed by means of government surveillance. The cost of val-



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Identifying contractor systems will be borne by the government.

- The implementation of EVM on cost or incentive efforts valued at less than \$20 million is a risk-based decision at the discretion of the program manager. A cost-benefit analysis is required before a decision is made to implement EVM in these situations. EVM is optional for contracts of less than 12 months' duration and non-schedule-based kinds of contracts, such as level of effort. EVM may not be optional if the product or service being acquired is designated as a major capital acquisition in accordance with OMB Circular A-11, Part 7.
- The implementation of EVM on firm-fixed-price efforts is discouraged, regardless of dollar value. In exceptional cases, such as those in which the government believes there is significant schedule risk or is concerned about the impact of cost pressures on product or service quality, cost/schedule visibility may be desired. In these cases, the program manager is required to obtain a waiver for individual contracts from the milestone decision authority. Waiver requests must include a business case analysis that provides rationale for why a cost or incentive contract was not an appropriate contracting vehicle.

Cost and Schedule Reporting

- A CPR and an IMS are required whenever EVM is required. The industry standard leaves it to the government to determine the details of the EVM data to be reported and the level of analysis required. To ensure that contractors and DoD program offices "use EVM data to manage" rather than "manage the EVM data," the data item descriptions for the CPR (DI-MGMT-81466) and the IMS (DI-MGMT-81650) have been updated to reflect industry best practice and to enable the use of modern EVM software tools.
- Changes to the CPR include reduced time period for submission, requirement for digital submission, more comprehensive data requirements, and a more comprehensive minimum set of requirements for analysis in Format 5. Changes to the IMS include mandating the IMS and integrating it with the CPR and requirement for a fully integrated network of discrete contract tasks/activities. Both the CPR and IMS are tailorable for contracts valued at less than \$50 million, and tailoring guidance has been included in the new version of the *DoD Earned Value Management Implementation Guide (EVMIG)*.

Integrated Baseline Reviews

IBRs are required whenever EVM is required. IBRs are good practice for all programs, regardless of size, to assess that the contractor's baseline for performing the work is achievable and that both the contractor and the government understand the program's risks. If contract requirements or the contractor's approach for complying with contract requirements change significantly, an additional IBR should be conducted.

Implementing the Policy

The changes to DoD's EVM policy must be implemented on applicable contracts awarded based on solicitations or requests for proposal issued on or after April 6, 2005 (30 days from the date of the memorandum signed by the USD(AT&L)). While the changes are not retroactive, remaining contract duration and estimated costs, as well as other risk factors, will be taken into consideration when determining whether to modify existing contracts to require EVM. The costs associated with imposing new or different EVM requirements on existing contracts will be borne by the government.

The revised policy is being incorporated into DoD Instruction 5000.2 and the *Defense Acquisition Guidebook*. The changes have been incorporated into the EVMIG—the principal reference for detailed implementation guidance, which is available on the DCMA Web site at http://guidebook.dcmamil/79/guidebook_process.htm. In addition, new Defense Federal Acquisition Regulation Supplement (DFARS) clauses are in process to implement the changes in solicitations and contracts.

The responsibility and requirement for government surveillance of contracts remains unchanged and is based on the effectiveness of the contractor's implementation of internal management controls. Guidance on surveillance activity can be found in the EVMIG.

For more information, contact Debbie Tomsic, OUSD(AT&L), Acquisition Resources and Analysis, (703) 695-0707 or deborah.tomsic@osd.mil.

Tomsic is a senior program analyst in the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), Acquisition Resources and Analysis, Acquisition Management. She is a certified acquisition professional in the program management career field.



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THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301 - 3010

MAR 15 2005

The Honorable John Warner
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20515

Dear Mr. Chairman:

I am very pleased to provide you with a report on the business transformation efforts at the Department of Defense (DoD), spearheaded by the Business Management Modernization Program. This report is submitted in response to the reporting requirements of 10 U.S.C. 2222(i), as added by section 332 of Public Law 108-375, the Ronald W. Reagan National Defense Authorization Act (NDAA) for Fiscal Year 2005.

The need to transform business operations that support the warfighter while achieving financial accountability is the focus of the BMMP. The BMMP will define and implement DoD enterprise-level capabilities that serve as transformation catalysts. Furthermore, BMMP will enable and continuously improve financial accountability across the Department. We plan to accomplish these objectives by relying on three key principles: clear standards, clear lines of authority, and tiered accountability. Details of our plan are outlined in the enclosed report.

The leadership of this program is committed to a course of action that provides our military with the state-of-the-art, interoperable business systems they deserve. Our commitment is a reflection of the firm resolve and leadership of the Secretary of Defense. On his behalf, I offer that same commitment to work closely with you as we strive together to provide world-class business operations to our Armed Forces wherever they are called to serve.

Sincerely,



Michael W. Wynne



Editor's note: View the enclosure to this memorandum at <http://www.dod.mil/comptroller/bmmp/products/2005%20Congressional%20Report%20and%20Cover%20Letter.pdf>.



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THE UNDER SECRETARY OF DEFENSE
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MAR 22 2005

MEMORANDUM FOR LEADERS OF THE ACQUISITION WORKFORCE

SUBJECT: Acquisition Integrity and Ethics

At my request, a Defense Science Board task force recently completed a study on Management Oversight in Acquisition Organizations, whose purpose was to assess our structure and methods of oversight to ensure the integrity of acquisition decisions in the Department. The preliminary recommendations, which are currently being finalized, cover two broad areas: immediate changes to processes and oversight and enduring changes in cultivating leadership and people.

While I am sure we can make the necessary changes to our processes and oversight practices in relatively short order, I am more concerned that we make the long-term institutional commitment in our leadership and people to ensure the highest integrity and ethics in our acquisition community. It is imperative that we, the leaders of the acquisition workforce, examine our culture, our attitudes, and our behaviors so that we forever avoid having one of our senior leaders gain or control power for personal gain. We must earn back the credibility that a transparent and honest procurement system must have to function in the public domain.

While expediency and results are important, the manner in which we conduct ourselves is even more important. If we make unethical decisions to expedite our acquisitions, we are doing a disservice to the American people. I ask that you and your senior leadership discuss these issues at every opportunity, in meetings and forums, within your community and with your industry partners. Please make acquisition integrity and ethics the center of your everyday decision-making and culture. It has to start at the top with us. Every decision must be made with these high ideals in mind. Thank you for your support.

Michael W. Wynne



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SECRETARY OF THE AIR FORCE
WASHINGTON



MAR 3 2005



MEMORANDUM FOR SEE DISTRIBUTION
SUBJECT: Life Cycle Management Plan (LCMP)

About a year ago a Product Support Working Group (PSWG) was formed, chartered and empowered to look at how we address product support and develop a streamlined acquisition and sustainment policy and process. Specifically, the task was to review the need for a stand-alone Product Support Management Plan (PSMP). The impetus for establishing this group was in response to an Eagle Look investigation on product support.

AF/IL was the lead for this group with SAF/AQ as a core member. A recommendation went forth to incorporate the PSMP into section 8, "Product Support Concept," of the Single Acquisition Management Plan (SAMP). In addition, the PSWG recommended a name change to the SAMP to ensure consistency with the intent of total life cycle responsibility addressed in DoD 5000 series. The basis of the LCMP is a blending of the former SAMP and PSMP into one "cradle to grave" document. The PSWG ensured the core overarching methodology of the SAMP remained intact. Section 8, which addresses product support concepts, is the only major change that you should notice from the SAMP. This revolutionary approach will ensure the sustainment strategy is locked in providing all support requirements of a system, subsystem, or major end item from definition to disposal.

The LCMP is to be a "living document" in response to the evolution of DoD acquisition policy and updates to current statutory requirements. Combining the SAMP and PSMP into a single product support document eliminates redundancy, avoids potentially conflicting guidance, lays out full life cycle product support strategies and maximizes system effectiveness from the perspective of the warfighter.

The LCMP will be implemented as follows:

- a. All ACAT I and II non-space programs—LCMP implementation is mandatory.
- b. Existing acquisition programs with SAMPs approved before 1 May 2005 will continue the program under the current SAMP guidance.
- c. After 1 May 05, programs operating under a SAMP will transition to an LCMP when the program:
 - (1) Enters a new milestone;
 - (2) Updates the PSMP and/or SAMP (AFFARS 5307.104(v)); or
 - (3) Implements a major system modification. At the discretion of the portfolio authority (PEO or ALC/CC), the LCMP may be limited to the modification versus the entire system.
- d. For ACAT III programs, LCMP may be prepared at the Milestone Decision Authority's discretion.

Our intention is to make the transition from the PSMP/SAMP to the LCMP as seamless as possible. Our staffs have worked diligently to minimize the impact to the field. If you have any concerns or questions, please contact SAF/AQXA, Mr. Mark Humphrey (mark.humphrey@pentagon.af.mil) or AF/ILMM, Mrs. Sharon Hardern (sharon.hardern@pentagon.af.mil).

Editor's note: View the distribution and attachments to this memorandum at <http://www.safaq.hq.af.mil/index-2.html>

Peter B. Teets
Acting Secretary of the Air Force

- 2 Attachments
- 1. LCMP Guide
- 2. Distribution List



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OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301 - 3000

FEB 23, 2005



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

SUBJECT: Contracting with Employers of Persons with Disabilities

The purpose of this memorandum is to bring to your attention a recently enacted statutory provision that prescribes whether the Javits-Wagner-O'Day Act (41 U.S.C. 46 et seq., JWOD) or the Randolph-Sheppard Act (R-SA) (20 U.S.C. 107 et seq.) applies to certain contracts for the operation of all or any part of a military mess hall, military troop dining facility, or any similar dining facility operated for the purpose of providing meals to members of the Armed Forces. The R-SA requires that a priority be given to blind persons licensed by a State agency for the operation of vending facilities on Federal property. The JWOD Act requires Government agencies to purchase selected products and services from qualified nonprofit agencies employing people who are blind or otherwise severely disabled.

Section 853 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375) repeals section 852 of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. No. 108-136) and protects the status quo for contracts awarded to either a JWOD source or to an R-SA State licensing agency if the contract was entered into before September 30, 2005, and either is in effect on September 30, 2005, or was in effect on November 24, 2003. A copy of section 853 is attached.

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

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy

Attachment:
As stated



Editor's note: View the attachment to this memorandum at <http://www.acq.osd.mil/dpap/policy/policyvault/policy_1.htm>.



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OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301 - 3000



MAR 02 2005

DPAP/P

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

SUBJECT: Contracting with National Industries for the Blind

The purpose of this memorandum is to bring to your attention a new opportunity for acquiring certain SKILCRAFT Services from the National Industries for the Blind (NIB), which serves to increase employment prospects for people who are blind.

For some time NIB services have been available for procurement through the policies and procedures for implementing the Javits-Wagner-O'Day Act (41 U.S.C. 46-48c) ("the JWOD Act,") and the rules of the Committee for Purchase from People Who Are Blind or Severely Disabled (41 CFR Chapter 51), as implemented in Subpart 8.7 of the Federal Acquisition Regulation (FAR). The rules require the Government to purchase supplies or services on the Procurement List, at prices established by the committee, from JWOD participating nonprofit agencies if they are available within the period required.

NIB is now offering SKILCRAFT Services for Information Technology, Logistics, Office Imaging, and Document Management on a commercial basis through the GSA Multiple Award Schedules Program. Acquisition of SKILCRAFT Services under the GSA schedule is derived from both Title III of the Administrative Services Act of 1949 (41 U. S. C. 251, et seq.) and Title 40 U.S.C., Public Buildings, Property and Works, as implemented in Subpart 8.4 of the FAR. Under the GSA Multiple Award Schedule (#GS-00F-0032P), comparable services are established with more than one supplier, at varying prices. While acquiring SKILCRAFT Services under this schedule is not mandatory, the schedule offers a competitive and time sensitive solution to meet the needs of federal customers.

If you have any questions regarding the Department's policies or procedures for doing business with the National Industries for the Blind, please contact Ms. Susan Schneider at (703) 614-4840, or via e-mail at susan.schneider@osd.mil.

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy



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MAR 21 2005

DPAP/EB

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(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING),
SAF/AQC
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DEPUTY DIRECTOR FOR LOGISTICS OPERATIONS (DLA)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, ARMY CONTRACTING AGENCY

SUBJECT: Instructions for FY05 Contract Action Reporting

In my memo to you dated January 24, 2005, I explained that the Department of Defense (DoD) would continue to use DD Form 350s to report contract actions greater than \$2,500 through at least the end of FY05. However, as part of that decision, I also stressed the importance of eliminating any FY05 reporting backlog and then staying current with our reporting. This is particularly important as we rely upon SIAD (Statistical Information Analysis Division, formerly known as the Directorate for Information Operations (DIOR)) for processing FY05 DoD contract reporting and making it available to Congress and the public. Accordingly, attached is the reporting schedule that should be adhered to during the remainder of FY05.

If you anticipate any issue in your ability to meet the attached reporting milestones, please contact your designated contract reporting representative, who will work with you to resolve any problems:

- Army and Other Defense Agencies: Brian Davidson, brian.davidson@hqda.army.mil, 703-681-9781
- Navy: Patricia Coffey, patricia.coffey@navy.mil, 202-685-1279
- Air Force: Kathryn Ekberg, kathryn.ekberg@pentagon.af.mil, 703-588-7033
- Defense Logistics Agency: Judy Lee, judy.lee@dla.mil, 703-767-1376
- Defense Contracts Management Agency: Barbara Roberson, barbara.roberson@dcma.mil, 703-428-0856
- Standard Procurement System: Joyce Allen, Joyce.L.Allen@us.army.mil, 703-460-1507
- Statistical Information Analysis Division: Richard Hardy, rich.hardy@whs.mil, 703-604-4584

My action officer for FY05 contract action reporting is Ms. Lisa Romney, 703-614-3883, lisa.romney@osd.mil.

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy

Editor's note: View the attachment to this memorandum at http://www.acq.osd.mil/dpap/policy/policyvault/eb_1.htm.

Attachment:
As stated



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APR 15 2005

DPAP/P

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
(ATTN: ACQUISITION EXECUTIVES)
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Audit Close-Out Initiative

Mr. Wynne, the Under Secretary of Defense (Acquisition, Technology & Logistics), asked me to lead an initiative that will ensure that contracting personnel are efficiently working to close-out Defense Contract Audit Agency (DCAA) audit reports (implementing the findings, disposing of the findings, etc.). The action plan for this initiative is as follows:

April 22, 2005: The Military Departments and Defense Agencies will identify a POC for the subject initiative and notify my point of contact, Mr. David Capitano, by e-mail at david.capitano@osd.mil.

May 4, 2005: DPAP will distribute a list to the Military Departments and Defense Agencies of all open DCAA audit findings that are six months or older.

June 6, 2005: The Military Departments and Defense Agencies will provide input to DPAP on the open DCAA audit findings, including (a) the reason the audit findings have not been resolved, and (b) what actions are being taken to facilitate close-out.

June 30, 2005: DPAP will produce an initial report (a) summarizing the reasons for the open audit reports, (b) providing an implementation strategy for reducing the number of open audit reports (e.g., prioritizing the open reports based on age), and (c) identifying recommended solutions to any systemic problems impeding audit closeout.

If you have any questions or require additional information, contact Mr. David Capitano, Senior Procurement Analyst, at 703-847-7486.

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy





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OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

MAR 29 2005



MEMORANDUM FOR THE STANDARDIZATION EXECUTIVES OF THE MILITARY DEPARTMENTS AND DEFENSE AGENCIES

SUBJECT: Policy Memo 05-3, "Elimination of Waivers to Cite Military Specifications and Standards in Solicitations and Contracts"

On October 14, 2004, the Under Secretary of Defense for Acquisition, Technology and Logistics signed the Defense Acquisition Guidance. Paragraph 11.6 of this Guidance states that "it is no longer required to obtain a waiver from the Milestone Decision Authority to cite military specifications and standards in solicitations and contracts."

We are in the process of preparing a formal change to DoD 4120.24-M, "Defense Standardization Program Policies and Procedures," to eliminate the waiver requirement from this document to be consistent with the Under Secretary's direction. Until such a formal change can be issued by the DoD Directives Office, this policy memorandum deletes Section C3.8 and all of its paragraphs and subparagraphs regarding waivers from DoD 4120.24-M.

I request that you take appropriate action to ensure that everyone in your acquisition and logistics communities is aware that a waiver to cite military specifications and standards in solicitations and contracts is no longer required. As noted in the Defense Acquisition Guidance, however, this waiver elimination should not be interpreted as returning to the "old way of doing business," but as recognition of the cultural change that took place in DoD regarding the proper application of specifications and standards. We need to ensure that those in the acquisition and logistics communities have the flexibility to assess program requirements, make good decisions, and where appropriate, require conformance to military specifications and standards.

If there are any questions about this policy memorandum or the status of the change to DoD 4120.24-M, my point of contact is Mr. Stephen Lowell at (703) 767-6879 or e-mail stephen.lowell@dla.mil.

Louis A. Kratz
Assistant Deputy Under Secretary of Defense
(Logistics Plans and Programs)