CH 10–1. Purpose
The Defense Acquisition Guidebook (DAG), Chapter 10, provides guidance for executing a proven, repeatable process and set of procedures that contribute to successful services acquisition based on the Seven Steps to the Service Acquisition Process included in Department of Defense Instruction (DoDI) 5000.74, Defense Acquisition of Services (DoDI 5000.74). It is highly recommended that readers familiarize themselves with the DoDI and its seven enclosures prior to reading this chapter.

CH 10–2. Background
Congress, under 10 USC 2330, required the Secretary of Defense to establish a management structure; develop and maintain policies, procedures, and best practices guidelines for acquisition planning; requirements development; and other aspects involved with the procurement of contract services. DoDI 5000.74, Defense Acquisition of Services, dated January 5, 2016, defines the Services Category (S-CAT) levels, policies, responsibilities, and procedures for acquiring services. It provides a repeatable requirements process that is designed to produce a successful services acquisition.

CH 10–2.1 What is a Service?

CH 10–2.1.1 Acquisition of Services
DoD broadly divides procurements into two categories – products and services.

- Products are tangible assets or hardware, wholly owned and, often, inventoried by the Department or a responsible component. A product can range from a pencil to an aircraft carrier.
- Services encompass all non-product procurements and involve the performance of specific activities in support of DoD missions. Most importantly, services are rendered without the Department assuming full ownership of the assets performing that support. Services, in some instances, can be harder to identify, because they may include “product-like” acquisitions such as hardware leased to support IT needs or the professional services of a consulting firm leveraging its knowledge to produce a report of model for the Department’s use.

One major way to identify service acquisition requirements is via the product and service code (PSC) that is entered into Federal Procurement Data System – Next Generation (FPDS-NG). The PSC begins with a letter for the service category. For example, Category R is for Professional, Administrative, and Management Support Services, and distinguishes whether an acquisition is a service or not.

Information Technology (IT) Services: These include providing the operation, support, and maintenance of IT, including long-haul communications and commercial satellite communications services, and may include providing commercial or military unique IT equipment with the services. IT services also include any IT or operation of IT such as the National Security Systems which are required for daily work performance. This includes outsourced IT-based business processes, outsourced IT, and outsourced information functions sometimes referred to as Cloud services, Infrastructure-as-a-Service, Platform-as-a-Service, Software-as-a-Service, and other "as-a-Service" terms referenced in the National Institute of Standards and Technology Special Publication 800-145.

CH 10–2.1.2 Service Contract
A service contract is a contract for performance that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item or supply. A service may be either a non-personal or personal contract. It can also cover services performed by either professional or nonprofessional personnel, whether on an individual or organizational basis. Some of the areas in which service requirements are found include the following:

- Maintenance, overhaul, repair, servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment
- Routine recurring maintenance of real property
- Housekeeping and base services
- Advisory and assistance services (A&AS)
- Operation of government-owned equipment, facilities, and systems
• Communication services, including Information Technology services
• Architect-engineering
• Transportation and related services
• Research and development

CH 10–2.1.3 Portfolio Management
Portfolio management is the grouping of DoD services into core portfolio categories, with each category then managed to achieve optimal acquisition, supply, and demand solutions. Portfolio management also enables a framework for oversight by the OUSD(AT&L), coupled with decentralized execution by the DoD Components.

The Functional Services Manager (FSM) should understand how the services portfolios map to the Product Service Codes (PSC). PSCs are used universally across the federal government within FPDS-NG. Choosing the appropriate PSC allows the portfolio managers to run reports in FPDS-NG to see approximately how much is being spent on services. See CH 10–3.2.1, of this chapter for additional PSC guidance. The DoD portfolio management structure includes nine services portfolio groups, illustrated in Figure 1.

![Figure 1: Nine Services Portfolio Groups](image)

CH 10–2.2 Roles and Responsibilities

The DoDI 5000.74 discusses the different players and their duties within services acquisitions. Table 1 highlights only those unique responsibilities associated with each role; for a complete list go to the DoDI under Enclosure 2 (DoDI 5000.74, Enc. 2) and 3 (DoDI 5000.74, Enc. 3).

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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| Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)) | • Serve as or designates the senior DoD decision authority  
• Serve as the senior DoD decision authority for any special interest acquisition  
• Delegate the decision authority to DoD Component heads or the heads of other appropriate oversight entities  
• Appoint DoD Functional Domain Experts (FDEs) as the DoD-level leads for each service portfolio group |
### Director, Defense Procurement and Acquisition Policy (DPAP)

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td></td>
<td>• Serve as the staff-level lead for Services Acquisition</td>
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<tr>
<td></td>
<td>• Coordinate with the FDE regarding the specific portfolio or portfolio group and with the Office of Small Business Programs (OSBP)</td>
</tr>
<tr>
<td></td>
<td>• Coordinate with the DoD Chief Information Officer (CIO) on proposed acquisitions of IT services</td>
</tr>
<tr>
<td></td>
<td>• DPAP Services Acquisition (SA) Directorate is responsible for implementing and overseeing the execution of the DoDI 5000.74 to all of the DoD Components including the Military Departments.</td>
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</table>

### DoD Components

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td></td>
<td>• Use management controls and business intelligence systems to establish oversight and sustain situational awareness</td>
</tr>
<tr>
<td></td>
<td>• Ensure services acquisitions use performance-based requirements and identify and measure cost, schedule, and performance outcomes</td>
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<td></td>
<td>• Enhance services acquisition planning and coordination by using multifunctional teams</td>
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### DoD Functional Domain Experts (FDEs)

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td></td>
<td>• Designated by the USD(AT&amp;L), who are assigned to one or more of seven of the nine portfolio groups</td>
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<tr>
<td></td>
<td>• Provide strategic leadership of the domain to improve planning, execution, and collaboration to achieve greater efficiency and reduce costs</td>
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<tr>
<td></td>
<td>• Ensure processes are in place to monitor post-award performance</td>
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<tr>
<td></td>
<td>• Develop appropriate metrics to track cost and performance within the portfolio groups, reduce redundant business arrangements, identify trends, and develop year-to-year comparisons to improve the efficiency and effectiveness of contracted services</td>
</tr>
<tr>
<td></td>
<td>• Identify opportunities for strategic sourcing across the services portfolio group or portfolio category</td>
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</tbody>
</table>

Table 2 highlights only those unique responsibilities associated with each role; for a complete list go to the DoDI under Enclosure 4 ([DoDI 5000.74, Enc. 4](#)) and 5 ([DoDI 5000.74, Enc. 5](#)). The acquisition authority chain of command runs upward from the Functional Service Manager (FSM) to the designated decision authority for the Service Category (S-CAT) and ends with the Service or Component Acquisition Executive. See Table 1 (Page 3) of the DoDI 5000.74 for the S-CAT decision authority threshold, USD(AT&L) Decision Authority Memorandum, and your agency’s policy to find the decision authority for S-CAT II through V.

**Table 2: Services Acquisition Management**
<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| Senior Service Managers (SSMs)                | • Planning, strategic sourcing, execution, and management of acquisitions of contracted services  
• Identify, forecast, and track pending requirements, along with their designated decision authority, across the service categories  
• Develop processes to implement the Services Requirements Review Boards (SRRBs)  
• Review, develop, and use data and metrics to support strategic management decisions and documenting business trends and costs, as needed  |
| Functional Service Manager (FSM)              | • Lead the multifunctional team (MFT) through the Service Acquisition Process  
• Lead developing, coordinating, and resourcing the requirement and overseeing it throughout the acquisition process  
• Understand the costs related to the services that their respective component is acquiring and establish cost expectations  
• Ensure selecting the best source to meet mission needs and that an effective performance management process is in place to guarantee the effective and timely delivery of services and achievement of cost goals  |
| Multifunctional Team (MFT)                    | • Participate in a services acquisition workshop (SAW)  
• Apply an accurate IGCE outlining discrete costs within the overall services requirement, coupled with market research  
• Consider costs of labor skill mix and categories, service levels, frequency of performance, and dictated quality levels when developing a requirement to meet mission needs  |

**CH 10–3. Business Practice**
The acquisition of services is based on the Seven Steps to the Service Acquisition Process as laid out in DoDI 5000.74 and the DAU Service Acquisition Mall (SAM). The steps are further broken down into three phases: Planning, Development, and Execution. The Service Acquisition Process is broken down in Figure 2, which can also be found at the DAU SAM website.

*Figure 2: Seven Steps to Services Acquisition Process*
CH 10–3.1 Plan
The planning phase includes steps one, two, and three of the seven-step process. During the planning phase, the FSM should lead and form the MFT and get leadership support, in accordance with agency procedures. The FSM should establish a baseline and analyze the current service strategies; identify problem areas and projected mission changes; and request the MFT and the requirements owner define their key performance outcomes for this requirement. The amount of work to be done is based on complexity and funding. Market research should be performed to assess current technology and business practices, competition and small business opportunities, existing and potential new sources providing the service, and to determine if commercial buying practices can be adapted.

CH 10–3.1.1 Step One – Form the Team
The PM, as designated by the Decision Authority or designee, is the lead responsible for bringing together the appropriate cross functional individuals for the MFT. The team members will understand the requirement, understand how the requirement relates to the mission, and be able to put an executable strategy together in support of the mission. Although not inclusive, the following individuals should be MFT members:

- FSM
- Contracting Officer
- Finance/Budget Officer
- Procurement Analyst
- Legal Advisor
- Customer/Requirements Owner (this person may be the same as the FSM)
- Contracting Officer Representative
- Cost and Price Analyst
- Small Business Specialist
- Quality Assurance Specialist
- Any other stakeholders who have a vested interest in the requirement

MFT members will participate in a services acquisition workshop (SAW). The SAWs are considered to be a best practice resource for services acquisitions. SAWs are required in some situations, but it is a preferred workshop for services acquisitions. The primary objectives of the SAW are to:

- Understand the services acquisition process;
- Apply and use the Acquisition Requirements Roadmap Tool (ARRT) to define and refine service requirements in order to create an initial draft of the Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP); and
- Develop specific acquisition-related documents (i.e., team charter, project plan, stakeholder analysis, PWS, QASP and an acquisition approach.)

To request a SAW, the FSM can visit the Service Acquisition Mall and click on “Contact” or send an email to SAW@dau.mil.

For the team to be successful, the team will achieve the following outcomes:

- Find the right people, with the appropriate expertise and skill set, for the team;
- Identify senior leadership and stakeholders who are impacted by the outcomes to ensure their involvement and support;
- Develop a Communication Plan to keep stakeholders and others informed of the requirements’ status and direction;
- Create a project library to maintain the knowledge base; and,
- Identify and plan for needed training as the team moves through this acquisition.

The decision authority or designee is responsible for ensuring that qualified FSMs oversee planning and execution of individual service requirements. The decision authority will determine the need for an FSM with services acquisition-related, career field certification based on risk or complexity of the acquisition. In the absence of FSMs with services acquisition-related, career field certification, an FSM with functional expertise for a given service requirement will exercise management responsibilities and be trained in
accordance with the “DoD Handbook for the Training and Development of the Services Acquisition Workforce.”

SAM has additional information on the process and provides templates that can be used for Step One of the Seven Step process.

CH 10–3.1.2 Step Two – Review Current Strategy

The MFT is responsible for assessing the health of the current service acquisition, if one exists. If this is a new service acquisition, move to Step Three and use the questions below to formulate the strategy. To accomplish this assessment, the MFT will interview the stakeholders and key customers and capture their concerns, priorities, and projected requirements which will impact how the acquisition is developed.

Some questions for the MFT to consider are:

- Have the needs of the current acquisition been met?
- Are the requirements under the current awarded contract still valid?
- What risks have developed under the current acquisition?
- What risks are acceptable as status quo?
- Can improvements be achieved? If not, what is the maximum loss of service that is acceptable?
- What metrics will be tracked and reported?
- Are there challenges with the current performance? If so, what are they?
- What are the issues associated with resolving problems?
- What is the current small business strategy for the prime contracts and subcontracts?
- How will staying with the status quo affect the mission over time?
- How will the improvements affect the mission over time?
- How is performance captured, if not being captured via metrics?

Based on the stakeholders’ consolidated input, the MFT categorizes the input into performance results (outcomes). The performance results are reviewed and validated by all stakeholders, including key customers, to ensure the mission needs have been captured accurately. The MFT addresses any gaps between the current performance and his or her understanding of what the stakeholders are asking. The MFT discusses the funding impact if desired results are significantly beyond current budget levels. The feedback obtained is vital to ensuring the actions taken in subsequent steps are aligned with stakeholder outcomes and results. Based on the feedback, the MFT refines the desired results the team has developed. The MFT validates the refined results with stakeholders to ensure the acquisition is moving in the right direction.

The MFT also reviews the current contract terms and conditions and ensures the most current regulatory and statutory requirements are applied to the new services acquisition contract. For IT services acquisition, the MFT shall be familiar with Enclosure 7 (CH 10–3.5.) of the DoDI 5000.74 and with DAG Chapter 6 of this guidebook.

Taking time to invest in the above pays large dividends later in the acquisition process. Prior to moving forward with a follow-on or new service acquisition, the FSM is required to obtain approval from the SRRB chair. According to statute, a SRRB approval is required for all services acquisition at or above $10 million. As directed by the DoD Components Decision Authority policies, a SRRB approval is required for all services acquisitions above the SAT but less than $10 million. (Refer to Section 4 for a more detailed description of the SRRB process.)

SAM has additional information on the process and provides templates that can be used for Step Two of the Seven-Step process.

CH 10–3.1.3 Step Three – Perform Market Research

The purpose of Step Three is to gather and analyze information about the capabilities within the market to satisfy the agency needs. This step is vital for accomplishing the next two steps, Define Requirements and Develop Acquisition Strategy. The requirements owner within the MFT is responsible for conducting the initial market research. Market Research is conducted in accordance with Federal Acquisition
The purpose of conducting market research is to discover if the services required for an acquisition are available in the marketplace, how the market place is implementing the capabilities needed, and whether or not any existing contract vehicles are available to execute the requirement. The key outcomes of the market research document are:

- Identifying market trends that affect the requirement;
- Determining how other activities are acquiring services similar to the requirement;
- Identifying leverage you may have in the market;
- Determining the extent of competition and small business opportunities;
- Identifying whether this service can be obtained through commercial practices.

The MFT captures the analysis in a market research report which will support the requirements packaging and acquisition strategy.

SAM has additional information on the process and provides templates that can be used for Step Three of the Seven-Step process.

CH 10–3.1.3.1 Conduct Market Research

Market research is conducted before:

- Developing new requirements documents.
- Soliciting any offers over the simplified acquisition threshold (SAT).
- Soliciting offers for acquisitions that could lead to a bundled contract (15 U.S.C. 644(e)(2)(A)).
- Awarding a task or delivery order under an indefinite-delivery-indefinite-quantity (ID/IQ) contract over the SAT (10 U.S.C 2377(c)).
- Soliciting offers for acquisitions that could lead to a consolidation of contract requirements.
- Issuing a solicitation with tiered evaluation of offers in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 210.001.


To determine and identify the scope and extent of additional research needed; consider the following:

- Information already in hand, including personal knowledge of the market from prior requirements and the findings of recent research on similar requirements.
- Interviewing the customer(s) about the current contract.
- Identifying information deficiencies.
- One-on-one Meetings with industry.
- Submit a Request for Information (RFI) or Sources Sought to FedBizOps.
- Plan to collect additional market information (i.e., when and how) during the acquisition planning, pre-solicitation, solicitation, and evaluation phases.

CH 10–3.1.3.2 Analyze and Document Market Research

Once all data is collected, analyze the information received. Categorizing the information received is recommended, i.e., past performance, requirements, competition, etc. Identify the following during the analysis:

- How will the requirement align to the market?
- What are the opportunities for competition and/or small business considerations?
- Did your market research reveal any new emerging technologies?
- What market trends (supply/demand) did the market research reveal and how can the information leverage the trend through requirements building or negotiations?
After the analysis of the data is complete, the findings and proposed strategy for acquiring the services needed are documented. The document describing the results of the market research is a Market Research Report. The amount of detail in the report is dependent upon the complexity, criticality, and size of the acquisition. The team follows its agency’s policy on how to complete the market research report. The Market Research Report Guide for Improving the Tradecraft in Services Acquisition has a sample Market Research Report to assist with writing and creating a report.

Market Research is not finalized until Step Four – Define Requirements. The information from the market research is used to formulate the requirements document.

**CH 10–3.2 Develop**
The development phase includes steps four and five of the seven-step process. Step Four is Define Requirement and Step Five is Develop Acquisition Strategy. At this point, the three steps in the Planning Phase are completed: Form the Team, Review the Current Strategy, and Perform Market Research, in accordance with DoDI 5000.74 and agency policies. The Development Phase uses information acquired during the Planning Phase to develop the requirements document, Step Four, and acquisition strategy, Step Five.

**CH 10–3.2.1 Step Four – Define Requirements**
Requirements definition is the most important and most difficult part of services acquisitions. A good quality requirements document makes procuring and managing the service easier. With a properly developed requirements document, the team determines:

- What is important about the service
- If an industry day or contractor one-on-one’s are necessary
- How the Quality Assurance Surveillance Plan (QASP) will be developed
- Whether more than one Contracting Officer’s Representative is required
- What is the best contract type to utilize

During this phase, the team, with the FSM as the lead, may produce the following:

- A risk analysis
- Performance objectives and standards through the use of a requirements road map concept
- Methods and means of inspection
- The PWS, SOW, or SOO
- Preliminary QASP
- The independent government cost estimate
- Stakeholder consensus

The team determines the best North American Industry Classification System Code (NAICS) and the Product and Service Code (PSC). The NAICS and Size Standards are established by the Small Business Administration (SBA), which establishes small business size standards on an industry-by-industry basis.

The PSC indicates “what” products and services are being purchased by the Federal Government and each contract action is reported in the FPDS-NG. The code is chosen based on the predominant product or service that is being purchased. It is very important the most accurate PSC is chosen for services acquisitions. The PSC is the basis by which many legally-mandated and agency reports provide the necessary data to effect Government and mission decisions. DoD has a PSC Selection Tool to assist the team in choosing the appropriate code for the requirement. The tool uses DoD’s taxonomy to divide the PSCs into portfolio groups. The tool webpage also provides PSC to Object Classification Code (OCC) crosswalk and provides recommended NAICS codes for many PSCs. Additional Guidelines and PSC Code descriptions are in the Federal Procurement Data System Product and Service Codes Manual.

The document templates can be found in the DAU Service Acquisition Mall at Step Four of the Seven Step Service Acquisition Process.
CH 10–3.2.1.1 Risk Analysis

Risk is a measure of future uncertainties in achieving successful requirement performance goals. Risk is associated with all aspects of a requirement. It includes identifying events that are reasonably predicted that may threaten a mission. Risk addresses the potential variation from the planned approach and its expected outcome. Risk analysis includes all risk events and their relationships to each other. The risk assessment consists of two components: (1) probability (or likelihood) of that risk occurring in the future; and, (2) the consequence (or impact) of that future occurrence. Risk management requires a top-level assessment of the impact on the requirement when all risk events are considered, including those at the lower levels.

The FSM focuses on the critical areas that may impact the requirement and thus impact the performance results. Risk events may be determined by examining each required performance element and process in terms of sources or areas of risk. These areas are generally grouped as cost, schedule, and performance, with the latter including technical risk. There could be significant consequences if early risk assessment isn’t accomplished. The following are some typical risk areas:

- **Business Risk**
  - Scheduling issues that may impact success
  - Contractors performing inherently governmental functions or unauthorized personal services
  - Stakeholders engagement
- **Technical Risk**
  - Maturity and relevancy of technology
  - Personnel turnover
  - Procurement fraud
- **Funding Risk**
  - Are funds identified for which availability is reliant on pending events or approvals?
  - Have adequate funds been identified?
- **Process Risk**
  - Are new processes required to be implemented?
  - Will the best contractors have time to propose?
- **Organizational Risk**
  - Implementing change in an organization
  - Organizational conflicts of interest
- **Risk Summary**
  - Overview of the risk associated with implementing the initiative e.g., is there adequate service life remaining to justify this change?
- **Additional Areas**
  - Environmental impact
  - Security (i.e., government property, control and oversight of facility access, clearances, etc.)
  - Safety
  - Occupational Health

Identifying risk areas requires the MFT to consider relationships among all the risks and to identify potential areas of concern that would have otherwise been overlooked. This is a continuous process, which examines each identified risk (that may change as circumstances change), isolates the cause, determines the effects, and then determines the appropriate risk mitigation plan. The MFT may consider requesting a risk mitigation plan be submitted as part of the offeror’s proposal if there is a risk that needs to be addressed immediately. Figure 3 can assist with identifying what risks are considered high risk and need to be addressed within the offeror’s proposal.

Additional guidance about Risk can be found in the Risk Management Guide, Balancing Incentives and Risks in Performance-Based Contracts and a DAU continuous learning course entitled CLM 017, Risk Management.
Requirements analysis is a systematic review of a requirement, given the data, information, and research gathered during the Planning Phase. This analysis is the basis for establishing high-level objectives, developing performance tasks and standards, writing the performance work statement, and developing the QASP. The preferred requirements document for acquiring services is a performance work statement or statement of objectives. The MFT is familiar with the Performance-Based Services Acquisition Guidebook when acquiring services.

The MFT will review Step Four under the Service Acquisition Mall. In this section of the mall, tools are provided to assist the team in creating a requirements road map, a performance work statement and statement of objectives, and a QASP. Another available tool is the Acquisition Requirements Roadmap Tool (ARRT) Suite. The Suite is a collection of tools that helps build strategic elements of acquisition documents by utilizing structured processes which help the team ask and answer the right questions related to the acquisition. The ARRT Suite includes a Requirements Definition tool, an Evaluation Factors tool, a Performance Assessment tool, and a Cost Estimation tool.

**CH 10–3.2.1.2.1 Performance Work Statement (PWS) and Statement of Objectives (SOO)**

There is no mandatory format for the PWS or the SOO. Follow your agency’s procedures for the proper format required for these two documents. A sample format is provided under the Service Acquisition Mall. Some PWS or SOOs may require that acceptable quality levels be defined in the document.

When developing the PWS, the MFT may consider the following best practices and lessons learned:

- The purpose of defining your requirement at high level objectives and tasks is to encourage innovative solutions for your requirement. Don’t specify the requirement so tightly that you get the same solution from each offeror. If all offerors provide the same solution, there will be no creativity or innovation in the proposals.
Remember that the way the PWS is written will either empower the private sector to craft innovative solutions, or stifle that ability.

After the MFT has completed the draft of the PWS, the team will review the PWS and answer the following questions to ensure it covers the required need:

- Does the PWS avoid specifying the number of contractor employees required to perform the work (except when absolutely necessary)?
- Does the PWS describe the outcomes (or results) rather than how to do the work?
- What constraints are placed in the PWS that restrict the contractor’s ability to perform? Are they essential? Do they support the vision?
- Does the PWS avoid specifying the educational or skill level of the contract workers (except when absolutely necessary)?
- Can the contractor implement new technology to improve performance or to lower cost?
- Are commercial performance standards used?
- Do the performance standards address quantity, quality, and/or timeliness?
- Are the performance standards objectives easy to measure and timely?
- Are there incentives to motivate the contractor to improve performance or to reduce costs?
- Are there disincentives to handle poor performance?
- Will the contractor focus on continuous improvement?
- Is the assessment of quality a quantitative or qualitative assessment?
- Would two different CORs come to the same conclusion about the contractor’s performance based on the performance standards objectives?
- Are AQLs clearly defined?
- Are the AQL levels realistic and achievable?
- Will the customer be satisfied if the AQL levels are exactly met? (Or will they only be satisfied at a higher quality level, or a lower level?)
- Are the individuals who will perform the evaluations identified?

CH 10–3.2.1.2.2 Quality Assurance Surveillance Plan (QASP)

The MFT will be familiar with the Quality Assurance provisions in the Federal Acquisition Regulation Part 46 and Defense Federal Acquisition Regulation Supplement Part 246, including its Procedures, Guidance and Information (PGI) Part 246, prior to developing the QASP that will be supporting the PWS or SOO.

The QASP is used to manage contractor performance by ensuring that systematic quality assurance methods validate that the contractor’s quality control efforts are timely and effective and are delivering the required results. The QASP is intended to be a "living" document that should be reviewed and modified whenever necessary. The method and degree of performance assessment may change over time, depending on the level of confidence in the contractor. The premise is that the contractor, not the Government, is responsible for managing the QASP quality controls and ensuring that the performance meets the terms of the contract.

A few ways to assess a contractor’s performance that can properly monitor performance and quality include:

- Methods of Surveillance: metrics, random sampling, periodic inspection, 100% inspection, customer feedback, and third party audits.
- Sampling Guide: a written procedure that states what will be checked, the AQL, and how the checking will be done.
- Decision Tables: identify different examples of unsatisfactory performance, probable cause factors, and the resulting consequences. When a service has failed to meet performance standards, a decision must be made as to who is at fault. A decision table is used for this purpose.
- Checklists: Used to record what has been checked by a sampling guide and to record information on contract items not covered by sampling.
Additional QASP information, such as the recommended document format, template, and training courses, is available on the Service Acquisition Mall Step Four and the ACQuipedia QASP.

After the MFT completes the draft of the QASP, the team reviews the QASP and answers the following questions to ensure the required need is covered:

- Is the value of evaluating the contractor’s performance on a certain task worth the cost of surveillance?
- Has customer feedback been incorporated into the QASP?
- Have assessment tools, i.e., methods of surveillance, sampling guide, etc., been provided in the QASP?

**CH 10–3.2.1.2.3 Finalize Market Research Report and Develop Independent Government Cost Estimate (IGCE)**

After the MFT completes the PWS and the QASP, the team compares the market research report to the actual requirements to determine if the needs to complete the mission are realistic or if changes to the market research report or requirements should be recommended. Once the analysis is complete, the market research report is finalized in accordance with agency procedures. Based on the market research results, the MFT develops the IGCE which supports the requirement.

The IGCE is the Government’s independent estimate of the resources and projected cost of the resources a contractor will incur in the performance of the contract. The IGCE is very important to the acquisition strategy of the requirement. The IGCE helps determine what other policy, statute, and regulation requirements are necessary in order for this requirement to be released as a Request for Proposal. For example, the IGCE determines which Service Category Level applies and the Decision Authority.

Additional information on IGCEs is available in the DoD IGCE Handbook for Services Acquisition.

**CH 10–3.2.1.2.4 Services Requirements Review Board (SRRB)**

Prior to moving onto Step 5 – Acquisition Strategy, the FSM is required to obtain approval from the SRRB chair as stated in Step 2 – Review Current Strategy. (Refer to Section 4 for a detailed description of the SRRB process.)

**CH 10–3.2.2 Step Five – Develop Acquisition Strategy**

The acquisition strategy describes the FSM’s plan to achieve the execution of goals set within the service acquisition life cycle. The MFT summarizes the overall approach to acquiring services (to include the schedule, structure, risks, funding, and business strategy). The acquisition strategy document contains sufficient detail to allow senior leadership and the Service Category Decision Authority to assess whether the strategy makes good business sense, effectively implements laws and policies, and reflects management’s priorities, including affordability. The strategy could evolve over time and should always reflect the current status and desired mission outcome.

The MFT will review Step Five under the Service Acquisition Mall.

The following are key outcomes of the Acquisition Strategy:

- Competition
- Small Business
- Select the appropriate contract type
- Determine a performance incentive approach
- Determine a method for selecting a contractor (Source selection approach)
- Develop appropriate planning documents
- Nominate a Contracting Officer’s Representative (COR) Post a draft RFP (recommend posting for industry comments)
The following tenets are considered when the acquisition strategy is being reviewed in accordance with PGI 237.102-76, Review criteria for the acquisition of services:

Tenet 1 – Acquisition Strategy (Approach):
- Reflects requirement objectives
- Explains the services acquisition should-cost
- Leverages spend data to arrive at strategic sourcing solutions for the enterprise being supported
- Incorporates strategic contracting tools
- Is developed prior to issuance of a solicitation (amended as applicable)
- Is adhered to throughout the performance.

Tenet 3 – Period of Performance:
- Contract performance periods of an appropriate length should be set in order to:
  - Be consistent with technological dependence
  - Employ industry standards
  - Allow sufficient time to reclaim requirement ownership (in cases with an acquisition history of a single provider) such that fair competition can occur

Tenet 4 – Appropriate Contract Type:
- Employ CLIN and pricing structures that are appropriate for the acquisition situation.

Tenet 5 – Small Business (SB) and Socio-Economic Considerations:
- Small Business Concerns are a viable and valuable resource within the U.S. economy’s industrial base
- Provide the maximum practicable opportunities in DoD’s acquisitions to SBs and the following SB Socio-Economic Categories, encouraging opportunities to increase competition, requirement awareness, and contract awards:
  - Small Business
  - Small Disadvantaged Business (SDB)
  - 8(a) Program
  - Historically Underutilized Business Zone Small Business (HUBZone)
  - Veteran-owned Small Business (VOSB)
  - Service-disabled Veteran-Owned Small Business (SDVOSB)
  - Women-owned Small Business (WOSB)
  - Economically Disadvantaged Women-owned Small Business (EDWOSB)

Tenet 6 – Participation Decision Points:
- Create decision points (on and off ramps) for those service acquisitions with longer periods of performance and multiple award contracts to ensure the Government has a qualified pool of contractors who can provide continuous service throughout the life of the contract.

Tenet 7 – Competition:
- Requirements should be articulated in order to receive maximum competition throughout the life of the contract with meaningful competition orders
- Evaluation factors are tied to key requirements

Tenet 8 – Objective Incentives:
- Objective criteria will be used, whenever possible, to measure contract performance
- Where objective criteria exist, the most appropriate contract type would be a multiple incentive type contract containing both incentive and award fee criteria
In accordance with DoDI 5000.74 Enclosure 5, paragraph 4(b) (DoDI 5000.74, Enc. 5, sec. 4), the SRRB approval will be documented in the acquisition plan utilizing agency procedures for documenting the requirement approval within the acquisition plan. Acquisition Strategies are sent to DPAP for review and approval for requirements with a total value of $1 billion or more if OUSD(AT&L) is the Decision Authority.

**CH 10–3.3 Execute**

The execution phase includes steps six and seven of the seven-step process. Step Six is Execute Strategy and Step Seven is Manage Performance. At this point, the team completed the Planning and Development phases of the seven-step services acquisition process; received the necessary approvals; completed all the required documents in accordance with the FAR and DFARS, DoD policies and procedures, and Agency policy and procedures; and received their funding or commitment of funding from the appropriate finance department or end user. Now, it is time to release the solicitation, receive and evaluate the proposals, negotiate, determine the competitive range, contract award, debrief, and conduct an award conference. This begins Step Six – Execute Strategy.

**CH 10–3.3.1 Step Six – Execute Strategy**

After the team has completed the required planning in Steps Four and Five, the FSM reads over the pre-solicitation documentation one more time before presenting the required documents to the Contracting Officer for execution. The FSM ensures the requirement, the QASP, and the Incentives clearly demonstrate what the outcome should be and how the contractor’s performance will be measured. If the documents represent the services acquisition adequately, the documents are transferred, along with your funding document, to the Contracting Officer for contract execution.

The MFT will review Step Six under the Service Acquisition Mall.

**CH 10–3.3.1.1 Prior to Posting Solicitation**

The Contracting Officer, with assistance from the Contract Specialist, creates the solicitation, Request for Proposal (RFP), Request for Quote (RFQ), or Invitation for Bids (IFB). The look of the solicitation varies depending on whether the services procurement falls under FAR Part 12, Acquisition of Commercial Items, Part 13, Simplified Acquisition Procedures, Part 14, Sealed Bidding, or Part 15, Contracting by Negotiation. The Contracting Officer is responsible for ensuring the appropriate clauses and provisions are incorporated into the solicitation, along with the PWS or SOO, the QASP, Contract Data Requirements Lists and Other Attachments, and any special contract requirements, such as Contractor Manpower Reporting. Once the solicitation is complete, the Contracting Officer sends it for hierarchy review and also to the team to ensure everything discussed in Step Five was successfully captured in the RFP.

The Contracting Officer is also responsible for completing other documentation, such as the justification for other than full and open competition for sole source actions and/or determination and findings documents, such as the determination of the best procurement approach, use of option years, etc. and for starting the process of the Contracting Officer’s Representative (COR) designation. The FSM nominates the COR within the COR Tracking (CORT) Tool before the Contracting Officer can issue the designation.

It is best practice for the Contracting Officer to post a draft solicitation on FedBizOpps or another GFE portal, such as GSA e-Buy, to give industry the opportunity to provide comments on the solicitation. The number and type of questions received from industry is used to determine whether the requirements are understood for the industry to submit a competitive proposal. Once the final solicitation is released and the proposals are received, the source selection evaluation team will start the evaluation process.

The FSM and the Contracting Officer determine the source selection evaluation team and ensure the team’s training prior to the solicitation’s release.

The evaluation team consists of:

- Contracting Officer
- FSM
- Source Selection Official
- End Users, who have the technical background and investment in the requirement
• Cost/Price Analyst
• Technical Specialty such as Security, Quality Assurance

The evaluation team needs to be committed through the entire evaluation process. The DoD Source Selection Procedures, along with your agency’s source selection procedures, help guide the source selection evaluation team. The Contracting Officer uses these procedures to complete Section L Instructions, conditions, and notices to offerors or respondents and M Evaluation factors for award, of the solicitation and develops the source selection plan.

CH 10–3.3.1.2 After Receipt of Proposals/Responses
The Contracting Officer gives the evaluation team complete instructions regarding the evaluation process. The Contracting Officer finalizes the award documentation, including the contract, price negotiation memorandum, and any other documents required by the FAR, DFARS and agency policy. Once the award documentation is reviewed, approved, and signed by the interested parties, the Contracting Officer announces the award within the GFE portal that was used to post the solicitation, such as FedBizOpps.

After the award is announced, the Contracting Officer may receive debrief requests within the time limit set forth in FAR Subpart 15.506, and the countdown protest period begins based on the time lines in the FAR. If there is a protest, the Contracting Officer will work with Legal, but the FSM and Evaluation Chairpersons may be asked to assist.

Once the award has been made and the protest period is over, it is time to execute the management of the services acquisition.

CH 10–3.3.2 Step Seven – Manage Performance
Once the contract is awarded, managing the performance becomes the number one duty of the FSM, COR, and the Contracting Officer, collectively known as the “administrative team.” Other individuals needed to appropriately manage the performance are:

• Quality Assurance Specialist
• Contractor
• Legal
• Small Business Specialist, if a small business award

The administration performance team will review Step Seven under the Service Acquisition Mall.

CH 10–3.3.2.1 Contract Management
The Government administrative team finalizes the management plan discussed during the strategy phase. The following are finalized:

• Roles and Responsibilities of Each Team Member
• Go over and get the appropriate signatures on the COR Delegation Letter
• Conduct a post-award review, if required
• Communication plan between the team members and the SSM

The administrative team participates in the post-award conference, or kick-off meeting, which includes the awardee and all the stakeholders. During this conference, all the participating parties:

• Review the FSM performance management process
• Review each individual requirement stated in the PWS, SOW, and any attachments, update the QASP
• Ensure the incentive plan is introduced and understood by everyone
• Provide COR introductions
• Explain the Contractor Performance Assessment Reporting System (CPARS) and how it will be used to document the contractor’s performance.
During the COR introductions, it is explained that the COR has administrative responsibility for the contract, but only the Contracting Officer can obligate government or change the contract terms and conditions. The COR is required to be certified for the complexity level needed for a services acquisition requirement in accordance with DoDI 5000.72, DoD Standard for Contracting Officer’s Representative (COR) Certification, and the COR should perform their duties in accordance with their COR Designation Letter, the DoD COR Handbook, and any agency specific procedures.

In order to complete the transition from acquisition to performance, the contractor is incorporated into the performance management team. An essential element of performance management is open and frequent communication between the government and the contractor. Ensure the contractor clearly understands how performance is being measured to ensure there are no surprises. Characteristics of strong relationships include the following:

- Trust and open communication
- Strong leadership on both sides
- Ongoing, honest self-assessment
- Ongoing interaction via daily engagement, meetings, reports, or CPARS
- Ensuring mutual benefit or value throughout the relationship

**CH 10–3.3.2.2 Performance Management**

The FSM executes the performance management process discussed during the post-award conference and reviews the communication plan. Performance management includes a process for how data is collected annually, reported, and the inventory of contracted services requirements (DoDI 5000.74, Enc. 6 and CH 10–3.4. of this Chapter).

The performance management process also assesses the effectiveness of the contractor’s performance against the strategy originally developed to determine if it is still achieving the required mission results. It will also identify what should be changed or modified during the next acquisition cycle to improve mission results. A record is kept identifying what improvements could be made the next time because, before you know it, it will be time to start the acquisition process all over again.

Service contracts may have performance periods lasting several years. Continuous improvement should be one of the acquisition team’s goals. For example, regular meetings are planned with the contractor to identify actions both parties can take to improve efficiency. These might include the identification of significant cost drivers and what improvement actions could be taken, i.e., “should cost.” Sometimes agencies require management reporting based on policy, without considering the cost of the requirement. For example, in one contract, an agency required certain reports to be delivered regularly each Friday. When asked to recommend changes, the contractor suggested the report due date be shifted to Monday because weekend processing time costs less. This type of collaborative action will set the stage for the contractor and government to work together to identify more effective and efficient ways to measure and manage the performance results over the life of the contract.

The FSM coordinates with the SSM to schedule an annual requirements review with the SRRB, and the Contracting Officer coordinates the post-award peer reviews. The post-award peer review criteria are designed to guide the administrative team focus on OUSD(AT&L) requirements.

**CH 10–3.3.2.3 Communications**

Following the contract award, the communication plan is reviewed and a determination made for how and to whom contractor performance information is reported. It’s vital to keep communication links open with both the contractor and stakeholders throughout the performance period of the contract. Establish regularly scheduled meetings with the contractor to keep everyone informed of pending actions which could impact performance. Discuss any issues the contractor may have, such as invoicing or payment problems. Identifying potential problems early is a key way to keep from having negative performance impacts. Implement the performance-reporting structure developed in Step Four.

Capturing and reporting performance information is critical for two reasons. First, it keeps your stakeholders well informed, based on actual performance results as measured by your CORs. Second, it
provides documented performance trends and results to enable an open and honest discussion with the contractor concerning the results achieved. Performance reviews are held on a regular basis with both the stakeholders and contractor. The frequency of stakeholder reviews is often dictated by the importance or complexity of the service under contract. Quarterly performance reviews with stakeholders are a minimum. More complex acquisitions may require monthly reviews.

For most contracts, monthly contractor performance reviews is appropriate. For contracts of extreme importance or contracts in performance trouble, more frequent meetings may be required. During this review, the acquisition team should be asking these questions:

- Is the contractor performance meeting or exceeding the contract's performance standards?
- Are there problems or issues that we can address to mitigate risk?

There should be a time in each meeting when the agency asks, "Is there anything we are requiring that is extremely affecting your performance in terms of quality, cost, or schedule?" Actions discussed should be recorded for the convenience of all parties, with responsibilities and due dates assigned. At each review point, the QASP should be reviewed to determine if the approach to the inspection should be changed or revamped. If an objective or standard needs to be changed, it is necessary that both parties agree to any modification, however, the change may have a cost impact.

**CH 10–3.4 Data Collection and Reporting**
The FSM will provide input to the annual data collection requirements and reporting requirements in support of the DoD Services Acquisition Report and the annual reporting requirement under the Inventory of Services Contracts (ISC) to the senior officials and FDEs.

The FSM ensures within the performance management process that the process ensures that the required data elements needed for ISC reporting are collected. Additional information is available on the DPAP/CPIC Inventory of Services Contracts webpage.

**CH 10–3.5 Information Technology**
DoDI 5000.74 Enclosure 7 (DoDI 5000.74, Enc. 7, sec. 5) addresses IT Services. Services that are managed and reviewed as part of major and non-major defense acquisition programs and major and non-major IT acquisition programs; services that meet the Major Automated Information Systems thresholds (to include software as a service); or non-major programs whose primary purpose is to provide capabilities, goods, or systems in accordance with DoDI 5000.02 are exempt from DoDI 5000.74.

For more detailed guidance on to manage the IT acquisitions, refer to DAG Chapter 6, Acquisition Information Technology and Business Systems of this guidebook.

**CH 10–4. Services Acquisition Reviews**

**CH 10–4.1 Acquisition Strategy and Peer Review**
The acquisition strategy developed under Step Five shall be sent to the appropriate decision authority shown in Table 1 of the DoDI 5000.74. The guidance for the peer review is found under PGI 237,102.-76.

The decision authority is based on Acquisition of Services Categories (S-CATs). Contact the SSM to find out the decision authority for a particular service acquisition.

DFARS Subpart 201.170(a)(1) (i - iii) and (b)(1 - 3), requires peer reviews for all contracts, including services acquisitions at different dollar thresholds. DFARS Subpart and your agency policy and procedures are followed to complete this process.

**CH 10–4.2 Services Requirements Review Boards (SRRBs)**
Enclosure 5 (DoDI 5000.74, Enc. 5, sec. 3) of the DoDI 5000.74 addresses the critical role of requirements development, validation, and oversight in achieving a detailed understanding of where services dollars are spent and determining the appropriate investment to most efficiently meet the needs of the Warfighter. As stated in the DoDI, annual SRRBs are an important tool in the validation, optimization, and prioritization of current and future services acquisition requirements. At their core,
SRRBs serve as a structured review process chaired by senior leaders to inform, assess, and support trade-off decisions regarding the cost, schedule, and performance for the acquisition of services. While SRRBs typically focus on contractor-provided services, a services requirements review also helps inform the decision to use organic capabilities (government civilians or military) vs. contracting for the required service.

There is no specific format for SRRBs, but there are, however, specific focus areas listed in the DoDI 5000.74 (DoDI 5000.74, Enc. 5, sec. 3) that allow each organization to tailor the process to meet unique missions and needs. A robust SRRB process includes, but is not limited to, the following common characteristics:

- Active leadership from both acquisition and operational chains of command
- Focus on the requirements (the need) as opposed to the contract (the means of fulfillment)
- Led by the requiring activity
- Executed at least annually; more often as needed
- Leverages multifunctional teams
- Identifies efficiencies, cost savings, and best practices

Additionally, SRRBs are most effective when the entire leadership team is present during all presentations and discussions. This provides an opportunity to hear and understand the connectivity and relative prioritization of all organizational requirements, which often leads to improved outcomes from the SRRB.

In executing SRRBs, organizations may achieve the following outcomes:

- Elimination of partial or entire non-value-added (or limited-marginal-value) contracted services capabilities
- Identification and elimination of redundant contracted capabilities
- Restructured work allocation
- Re-competing new requirements that better align to mission and marketplace
- Improved alignment of labor categories to work provided
- Opportunities for strategic sourcing of services capabilities
- Identification of inherently governmental activities not suitable for contracted services.

A major outcome of every SRRB should be a prioritized list of existing and anticipated requirements (both funded and unfunded). While every organization will have different specifics and orders of importance, all should include assessments of:

- Mission criticality
- Overall life cycle cost
- Marginal cost of performance decreases or increases
- Inherently governmental/ closely related to inherently governmental
- Inappropriate personal services
- Industrial base
- Requirements management impacts (workforce makeup, etc.)

Ultimately, the benefit of validating requirements via SRRBs is the active management of services to ensure cost-effective, efficient application of resources to meet mission requirements. In this time of declining budgets and of sequestration, SRRBs provide tools to assess relative values of services and to make prudent, cost-effective trade-offs without compromising mission capabilities.

**CH 10–Version and Revision History**

The table below tracks chapter changes. It indicates the current version number and date published, and provides a brief description of the content.
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