



Season 5: Episode 9 – Special Categories of Contracting

- Part 234 Major System Acquisition
- Part 235 Research and Development
- Part 236 Construction and Architect-Engineer Contracts
- Part 237 Service Contracting
- Part 239 Acquisition of Information Technology
- Part 241 Acquisition of Utility Services

Co-Host – Dave Drabkin

- Independent consultant with 45-plus years of federal government contracting experience in both the public and private sector.
- He is an AIRC Fellow, Acquisition Innovation Research Center, SERC, Stevens Institute of Technology.
- He serves as the Chair of the Procurement Round Table, <u>www.procurementroundtable.org</u>
- He served as the Chairman of The Advisory Panel on Streamlining and Codifying Acquisition Regulations (Section 809 Panel), <u>https://discover.dtic.mil/section-809-panel/</u>
- The President of the United States appointed Dave to the Service Acquisition Reform Act (SARA) and the Multiple Award Schedule (MAS) Panels.
- He served as:
 - Senior Procurement Executive, General Services Administration
 - Deputy Program Manager, Pentagon Renovation Program
 - DoD Program Manager for Federal Acquisition Streamlining Act (FASA) Implementation.
- Dave has also worked in numerous positions in the DoD, the Homeland Security and Government Affairs Committee (HSGAC) of the U.S. Senate. After leaving the Federal government he worked for Northrop Grumman Corporation and Dixon Hughes Goodman, LLP.

david@drabkinandassociatesllc.com

(703) 927-1116





Co-Host – Stephen Daoust

• Stephen Daoust has over 30 years of experience in public procurement law.

- Steve is the founder of a new consulting firm called Go FARther LLC which primarily focuses on teaching, coaching and mentoring people within private and public sector organizations who desire to achieve a high r level of proficiency and success in contract management, compliance and legal professions.
- Steve currently hosts a 52 week training course entitled "Fun with the FAR" for the Public Contracting Institute and has written and has provided extensive training materials to corporate audiences on topics involving, marketing and selling services to the Federal Government, federal outsourcing, ethics and compliance, business management, commercial contracting practices, mergers and acquisitions of federal contractors, GSA multiple award schedule contracts, TINA, contract claims, insider trading, anti-trust, organizational conflicts of interest, teaming agreements, effective review of government solicitations, drafting effective solicitation questions, and sexual harassment.
- Steve's government contracts career has involved working and helping solve legal problems for a wide variety of clients while working in private practice at McKenna & Cuneo (a leading government contracts firm), and Affiliated Computer Services, Inc., PricewaterhouseCoopers LLP, and Iridium Communications Inc. in his role as senior in-house counsel and Chief Compliance Officer.
- Steve is an active member of the National Contract Management Association and the American Bar Association. Steve is admitted before the Bars of the District of Columbia, the U.S. District Court for the District of Columbia, the U.S. Court of Federal Claims, and the U.S. Court of Appeals for the Federal Circuit.

• Steve is also a member of the Board of Advisors for the American University School of Public Affairs, the Public Contracting Institute and Peerless Rockville.





Co-Host – Lou Chiarella (is AWOL)

- Senior Counsel, Crowell & Moring LLP
- Adjunct Professor at the George Washington University Law School, Government Procurement Law Program.
- Deputy Assistant General Counsel in the Procurement Law Division, Office of the General Counsel, U.S.
 Government Accountability Office (GAO) (2001-2022).
- Army Judge Advocate (1988-2018), culminating with his assignment as Chief Counsel for the Army Futures Command Task Force, which resulted in the Army's largest acquisition-related reorganization in 50 years.





Welcome Back, and Rules of Engagement

- Class begins promptly at 2:00 pm ET.
- Class will end at 3:30 pm ET.
- Please use the Q&A panel to ask your questions
 - If we don't answer the questions today, we'll get back to you.

How to Receive Credits

- To get credit for the class you must collect the passwords provided during the class.
- You must respond to the email from PCI with the passwords to get credit.



Today's Topics: Special Categories of Contracting

- Part 234 Major Systems Acquisition
- Part 235 Research and Development Contracting
- Part 236 Construction and Architect-Engineer Contracts
- Part 237 Service Contracting
- Part 239 Acquisition of Information Technology
- Part 241 Acquisition of Utility Services



What's in the Documents Folder Today?

- DoD Handbook for the Training and Development of the Services Acquisition Workforce, <u>https://www.acq.osd.mil/dpap/cpic/cp/sa/docs/DoD_Handbook_for_the_Training_&_Dev_of_the_SA_Workforce_July2017.pdf</u>
- DoD Instruction 5000.02 Operation of the Adaptive Acquisition Framework, <u>https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodi/500002p.pdf?ver=2020-01-23-</u> <u>144114-093</u>
- DoD Manual 5000.04 Cost and Software Data Reporting, <u>https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodm/500004p.pdf?ver=Ylkjr3yVS9cwq</u> <u>KYLMfcv8Q%3D%3D</u>
- Defense Acquisition Guidebook Chapter 10 Acquisition of Services, <u>https://www.dau.edu/pdfviewer?Guidebooks/DAG/DAG-CH-10-Acquisition-of-Services.pdf</u>
- Section 809 Eliminate EVM for Software Programs, <u>https://discover.dtic.mil/wp-content/uploads/809-Panel-2019/Volume1/Recommendation_19.pdf</u>
- Section 809 Clarify the definitions of personal and nonpersonal services and incorporate in the DFARS a description of supervisory responsibilities for service contracts. <u>https://discover.dtic.mil/wpcontent/uploads/809-Panel-2019/Volume1/Recommendation_20.pdf</u>
- Section 809 Eliminate the statutory and regulatory distinction between personal services contracts (PSC) and nonpersonal services (NPS) contracts. <u>https://discover.dtic.mil/wp-content/uploads/809-Panel-2019/Roadmap/Sec809Panel_Roadmap_DEC2019.pdf</u>



What's in the Documents Folder Today? (But Wait, There's More)

- THE DEFENSE ACQUISITION SYSTEM REFERENCE BOOK: A Comprehensive Guide to the Language of Defense Acquisitions (L. Chiarella, 2023)
- The Defense Acquisition System Acronyms and Abbreviations (L. Chiarella, 2023)



Polling Question 1

How much experience do you have with major system acquisitions (FAR Part 34/DFARS Part 234)?

- a. I work almost exclusively on major systems
- b. I've seen these acquisitions before
- c. I have a basic knowledge of what this is

d. Watching the occasional jet fly by is the closest I get to this topic

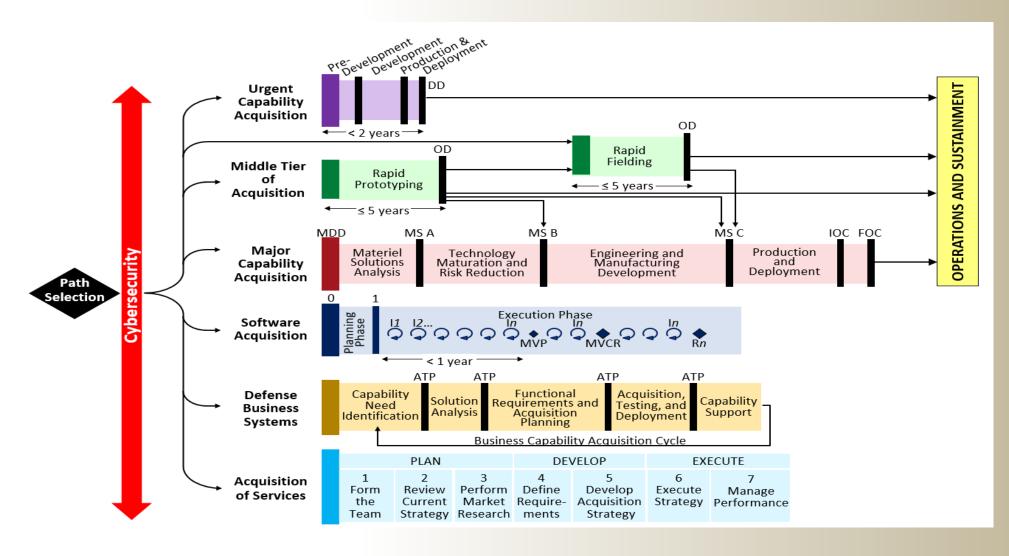


- 234.001 Definitions (which supplement the FAR Part 34 definitions)
- "Earned value management system" means an EVM system that generally complies with system criteria at DFARS 252.234-7002(b) and the guidelines in the ANSI/EIA-748.
- "Production of major defense acquisition program" means the production and deployment of a major system that is intended to achieve an operational capability that satisfies mission needs, or an activity otherwise defined as Milestone C under Department of Defense Instruction 5000.02 or related authorities.
- "Significant deficiency" means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.



- Program Management Guidance in DoDD 5000.01 (The Defense Acquisition System) and DoDI 5000.02 (Operation of the Defense Acquisition System)
- Contract type is identified at Milestone B/Key Decision Point B
 - Cost reimbursement line items approved by USD(A&S)
- Limited use of follow-on work line items not to exceed 2 years
- DoD Implementation of Adaptive Acquisition Framework
 - Six pathways, each designed for the unique characteristics of the capability being acquired
- Prohibition on use of LPTA for engineering and manufacturing development of a major defense acquisition program for programs with budgetary authority approved FY19 or later

Multiple Pathways for Tailored Solutions





- Earned Value Management System
 - EVM Threshold is \$100M for incentive, cost contracts and subcontracts (see Class Deviation 2015-00017)
 - EVM systems >\$100M must be compliant w/ ANSI/EIA-748 and certified by cognizant agency (DCMA)
 - For cost or incentive contracts and subcontracts valued at less than \$20,000,000-
 - EVM is optional and is a risk-based decision;
 - A decision to apply EVM shall be documented in the contract file; and
 - For firm-fixed-price contracts and subcontracts of any dollar value—
 - The application of EVM is discouraged, need a waiver
 - Contracting Officer determines acceptability of EVM systems, DCMA does reviews
 - No significant deficiencies approve
 - Significant deficiencies 45-day letter cure or CAP
 - Significant deficiencies not cured apply w/holds
- Development of Business Systems Raised Issues in Agile Software Development



- 234.70 Acquisition of Major Weapon Systems as Commercial Items
 - Generally, not favored pricing challenges
 - Requires SECDEF Determination
 - Major weapon system in this context means a weapon system acquired pursuant to a major defense acquisition program.
 - Limitations apply to Subsystems
 - It is part of a System approved for Commercial Items
 - KO determines whether the subsystem is a commercial item, gets help from DCMA
 - Components or spare parts are covered too
 - Being acquired as part of an approved Commercial weapons system
 - A subsystem of an approved commercial weapons system
 - KO may make a written determination
 - COTS, isn't covered
 - Pricing
 - KO shall require offeror to submit prices paid for the same or similar items
 - KO shall request additional data if price reasonableness can't be determined.



- Cost and software data reporting (CSDR) is mandatory for MDAPs
- CSDR is the DoD system for collecting actual costs and software data and related business data. The data collected serves as the primary contract cost and software data (CSD) repository for most DoD resource analysis efforts, including cost database development, applied cost estimating, cost research, program reviews, analysis of alternatives (AoA), and life cycle cost estimates
- Principle components are contractor cost data reporting and software resources data reporting
- KO shall consult with the Defense Cost and Resource Center to ensure offeror has a standard CSDR system as described in offeror's proposal



Polling Question 2

How much experience do you have with research and development contracting (FAR Part 35/DFARS Part 235)?

- a. I work for an FFRDC or similar research institution
- b. I've worked in this area a fair amount
- c. I know the fundamentals of R&D contracting
- d. I wrote a research paper for my middle school science fair



DFARS 235 – Research & Development Contracting

- Cost –reimbursement contracts over \$25M approved by KO who executes a written determination & findings (D&F)
 - D&F must include that
 - Level of risk does not permit realistic pricing
 - Allocation of program risk can't be dome equitably or sensibly
- Manufacturing Technology Program
 - Award all Ks competitively
 - Evaluation factor to include extent to which offerors propose to share in the cost of the project
- Competition
 - A Broad Agency Announcement (BAA) w/ peer or scientific review for S&T proposals satisfies full & open requirements
 - Contract line items or options for the provision of advanced component development or prototypes of technology permitted IAW DFARS 234.005-1



DFARS 235 – Research & Development Contracting

- There are restrictions on awarding R&D contracts to Lead System Integrators see 209.570.2
- DTIC collects all scientific and technical reports required as part of contracts
- Education Institutions may be provided special use allowances under research contracts
- BAAs with peer of scientific review may be used for award of science and technology proposals
- FFRDCs No DoD FY 92 or later may be obligated or expended to if a member of its board of directors or trustees serves simultaneously on a Board of a profit-making company under contract to DoD
- Sponsoring Agreements FFRDCs functioning primarily as research laboratories may respond to solicitations and announcements for programs which promote research, development, demonstration or transfer of technology



DFARS 235 – Research & Development Contracting

- Indemnification against unusually hazardous risk
 - IAW 10 USC 2354 (known as 85-804) and approved by the Secretary concerned
 - Use DFARS Clause 252.235-7000 or 252.235-7001
- Be sure to check export control regulations and application to K



Polling Question 3

How much experience do you have with construction contracts (FAR Part 36/DFARS Part 236)?

- a. I am a construction contractor
- b. I understand construction contracting
- c. I know a few things about construction contracting
- d. I've played with Legos before



Construction is often left out of government contracting discussions

- The DFARS guidance addresses work done outside the US in specific geographic areas and where United States firms get preference
- Special rules for liquidated damages for small business plans
- If you use sealed bidding why? you can add line items to cover work for which there are no funds available at time of award
- Limitations on use of cost-type contracts for military construction projects or military family housing projects
- There are limitation on adding funds to expedite projects



- No cost-plus-fixed-fee contracts
- May prequalify sources with HCA approval
 - Get preliminary recommendation from SBA Regional Office before finding a SB not responsible
 - Permit proposals if SB Regional Office recommends that SB is responsible
 - Process CoC if SB in line for award is determined not responsible
- MILCON projects >\$1M in United States outlying areas in the Pacific and on Kwajalein Atoll, or in countries bordering the Arabian Gulf (i.e., Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Iraq) to US companies unless
 - Lowest responsive and responsible offer of a US firm exceeds the lowest responsive and responsible foreign firm by more than 20%
 - The contract is for construction on Kwajalein Atoll and lowest responsive and responsible offer is submitted by Marshallese firm



- Don't purchase directly, or indirectly, steel where American steel producers, fabricators or manufacturers were denied opportunity to compete.
- Construction of industrial resources
 - Facilities project, as used in this subpart, means a Government project to provide, modernize, or replace real property for use by a contractor in performing a Government contract or subcontract.
 - Follow DoDD 4275.5 Acquisition and Management of Industrial Resources in processing request for facilities projects
- Two Phase Design-Build Selection Procedures
 - Contracts that >\$4.5M maximum number of Phase Two offerors is 5
 - Unless using an IDIQ contract for design-build, or
 - HCA approval obtained to consider more than 5
 - Contracts <\$4.5M KO has discretion
- Include selection criteria and relative order of importance in public announcements FAR 5.205(d) for A&E Services
- A&E Contracts to be performed in Japan, NATO member countries or Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Iraq must be awarded to US firms



- A&E Person most familiar with A&E should prepare a performance evaluation
- Statutory Fee limitation
 - 6% of project's estimated cost of construction and modifications
 - 6% to redesign
 - Applies to preparation of designs, plans, drawings and specifications
- Do not use Optional Form 347, Orders for Supplies or Services (see DFARS 213.307) for A&E services



Polling Question 4

- How much experience do you have with Service Contracting?
 - a. Services are me!
 - b. I've worked on several of these acquisitions
 - c. I know some of the basic rules for service contracts
 - d. What is SCA?



- Performance-based acquisition is the preferred method for acquiring services (PL 106-398).
- Preference for certain commercial services (facilities-related services, knowledge-based services (except engineering services), medical services, or transportation services). See 212.272 for procedures for implementation.
- Public-private competitions. See PGI 207.302 for information on the Governmentwide moratorium and restrictions on public-private competitions conducted pursuant to Office of Management and Budget (OMB) Circular A-76.
- In addition to the prohibition on award of contracts for the performance of inherently governmental functions, contracting officers shall not award contracts for functions that are exempt from private sector performance. See 207.503(e) for the associated documentation requirement.
- Definitions
 - "Increased performance of security-guard functions,"
 - In the case of an installation or facility where no security-guard functions were performed as of September 10, 2001, the entire scope or extent of the performance of security-guard functions at the installation or facility after such date; and
 - In the case of an installation or facility where security-guard functions were performed within a lesser scope of requirements or to a lesser extent as of September 10, 2001, than after such date, the increment of the performance of security-guard functions at the installation or facility that exceeds such lesser scope of requirements or extent of performance.
 - "Senior mentors" means retired flag, general, or other military officers or retired senior civilian officials who provide expert experience-based mentoring, teaching, training, advice, and recommendations to senior military officers, staff, and students as they participate in war games, warfighting courses, operational planning, operational exercises, and decision-making exercises.



- Contracting for firefighting or security-guard functions is prohibited unless
 - OCONUS where members of the armed forces would have to perform
 - Performed on a Government-Owned Privately-Operated (GOPO)
- Flight simulators
 - Prohibited unless SECDEF determines it is in national interest
 - Economic analysis to defense committees
- Management services
 - No inherently governmental functions
 - Federal employee should determine courses of action is in the best interest of Government and will provide best technical performance for the warfighter
 - Contractor may not advise award of contract or subcontract for development or production of the major system it owned in whole or part



- Prohibited from contracting with "senior mentors"
- PGI 237.102-74 has taxonomy for the acquisition of services, and supplies and equipment
- Private sector notification requirements in support of in-sourcing actions
 - Notify incumbent contractors within 20-days
 - Summarize basis for decision
 - No formal hiring or contract-related actions prior to notification
- Personal Services contracts
 - Shall not be awarded unless specifically authorized by statute
 - Prepare a D&F contract by contract. Blanket D&F authorized.
 - Personal services contracts for health care are authorized
 - Apply the DoDI 6025.5 pay cap
 - Special approval requirements must be provided w/ PR



- Funding and term of service contracts
 - Consultant services shall not exceed 1 year
 - Duties must be either temporary or Intermittent
 - May cross FY lines
- Approval requirements
 - <\$100M obtain approval from designated official
 - >\$100M obtain SPE approval
 - Acquisition from non-DoD agency Follow guidance at DFARS 217.7
- Training for contractor personnel interacting w/ detainees
 - Receive Government-provided training regarding the international obligations and laws of the United States applicable to the detention of personnel, including the Geneva Conventions; and
 - Provide a copy of the training receipt document to the contractor.



- Prohibition on interrogation of detainees by contractor personnel
 - "Detainee" means any person captured, detained, held, or otherwise under the effective control of DoD personnel (military or civilian) in connection with hostilities. This includes, but is not limited to, enemy prisoners of war, civilian internees, and retained personnel. This does not include DoD personnel or DoD contractor personnel being held for law enforcement purposes.
 - "Interrogation of detainees" means a systematic process of formally and officially questioning a detainee for the purpose of obtaining reliable information to satisfy foreign intelligence collection requirements.
 - No detainee may be interrogated by contractor personnel
 - Contractor personnel with proper training and security clearances may be used as linguists, interpreters, report writers, information technology technicians, and other employees filling ancillary positions, including as trainers of and advisors to interrogators, in interrogations of detainees
 - Such personnel are subject to the same laws, rules, procedures, and policies
 - Appropriately qualified and trained DoD personnel are available to oversee performance
 - SECDEF may waive prohibition for up to 60 days and may extend by 30-days



- Don't contract for audit services unless
 - The cognizant DoD audit organization determines that expertise required to perform the audit is not available within the DoD audit organization; or
 - Temporary audit assistance is required to meet audit reporting requirements mandated by law or DoD regulation.
 - See 215.101-2-70(b)(3) for the prohibition on the use of the lowest price technically acceptable source selection process when acquiring audit services.
 - See PGI 237.270 for a list of DoD publications that govern the conduct of audits.
 - Contract period 1-year with two option years
 - Statement of work to be approved by cognizant DoD audit organization



Polling Question 5

How much experience do you have with IT acquisition?

- a. I am a tech master!
- b. I've worked on several of these acquisitions
- c. I know some basic cybersecurity protocols
- d. Do you mean the character from the Addams Family (Cousin Itt)?



- DFARS Part 239 applies to all DoD acquisitions of IT in place of FAR Part 39
- Purchases of IT >SAT must be commercial items unless there are no suitable commercial items
- Commercial software and software maintenance are governed by DFARS 208.7 and DFARS 227.7202
- Exchange or sale of Government owned IT is governed by Volume 9 DOD Manual 4140.01



- Security and Privacy for Computer Systems
 - "Information assurance," means measures that protect and defend information, that is entered, processed, transmitted, stored, retrieved, displayed, or destroyed, and information systems, by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. This includes providing for the restoration of information systems by incorporating protection, detection, and reaction capabilities.
 - Compromising emanations TEMPEST or other standard Requiring activity to supply
 - The required protections, i.e., an established National TEMPEST standard (e.g., NSTISSAM TEMPEST 1-92) or a standard used by other authority;
 - The required identification markings to include markings for TEMPEST or other standard, certified equipment (especially if to be reused);
 - Inspection and acceptance requirements addressing the validation of compliance with TEMPEST or other standards; and
 - A date through which the accreditation is considered current for purposes of the proposed contract



- Security and Privacy for Computer Systems
 - Requiring activity provides KO with information assurance contractor training and certification requirements
 - A list of information assurance functional responsibilities for DoD information systems by category and the information assurance training, certification, certification maintenance, and continuing education or sustainment training required for the information assurance functional responsibilities.
 - Post award, the requiring activity is responsible for ensuring that the certifications and certification status of all contractor personnel performing information assurance functions are in compliance with DoD 8570.01M and are identified, documented, and tracked.
 - The requiring activities responsibilities apply to all DoD information assurance duties supported by a contractor, whether performed full-time or part-time as additional or embedded duties, and when using a DoD contract, or a contract or agreement administered by another agency (e.g., under an interagency agreement).
 - See PGI 239.7102-3 for guidance on documenting and tracking certification status of contractor personnel, and for additional information regarding the requirements of DoD 8570.01-M.



- KOs are responsible for incorporating all FIPS in solicitations
- Requirements for Information Relating to Supply Chain Risk
 - DFARS 239.73 controls FAR Part 39
 - "Covered item of supply" means an item of information technology that is purchased for inclusion in a covered system, and the loss of integrity of which could result in a supply chain risk for a covered system
 - "Covered system" means a national security system, as that term is defined at 44 U.S.C. 3552(b) (see 10 U.S.C. 2339a)
 - "Information technology" (see 40 U.S.C 11101(6)) means, in lieu of the definition at FAR 2.1, any equipment, or interconnected system(s) or subsystem(s) of equipment, that is used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency
 - "Supply chain risk" means the risk that an adversary may sabotage, maliciously introduce unwanted function, or otherwise subvert the design, integrity, manufacturing, production, distribution, installation, operation, or maintenance of a covered system so as to surveil, deny, disrupt, or otherwise degrade the function, use, or operation of such system (see 10 U.S.C. 2339a).



- Exclusion and limitation on disclosure of excluded sources
 - The SECDEF and Service Secretaries may
 - Exclude a source that fails to meet qualification standards established in accordance with the requirements of 10 U.S.C. 2319, for the purpose of reducing supply chain risk in the acquisition of covered systems;
 - Exclude a source that fails to achieve an acceptable rating with regard to an evaluation factor providing for the consideration of supply chain risk in the evaluation of proposals for the award of a contract or the issuance of a task or delivery order;
 - Withhold consent for a contractor to subcontract with a particular source or direct a contractor for a covered system to exclude a particular source from consideration for a subcontract under the contract; and
 - Limit, notwithstanding any other provision of law, in whole or in part, the disclosure of information relating to the basis for carrying out any of the foregoing actions
 - No bid protests



- Telecommunications Services
 - There are a host of special rules for buying telecommunication services. May of those services are available from existing contracts offered by GSA. If you have to buy your own because existing contracts don't meet your needs, you'll need to become familiar with this DFARS subpart.



Cloud Computing

- There are a number of risks associated with Cloud Computing. Aside from security, financial risk is seen as a major concern.
- In this context "Cloud computing" is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. This includes other commercial terms, such as on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. It also includes commercial offerings for software-as-a-service, infrastructure-as-aservice, and platform-as-a-service.
- Where practicable in DoD purchase Cloud Computing services on commercial terms and conditions from providers that have been granted a provisional authorization from DISA. There are exceptions where the DoD CIO has waivered the requirement.
- Data must be stored in the US. KO may provide approval for extraterritorial storage



Polling Question 6

Have you ever been involved in buying Utility Services for the government?

- a. Yes
- b. No



DFARS 241 – Acquisition of Utility Services

- The average DoD KO will not buy Utility Services.
- If you buy Utility services, review this Subpart, there are some different rules pricing.
- There are additional terms and conditions on connection and service charges and refunds
- There are different clauses depending on whether the utility is a regulated or unregulated body.



See you all again on October 11th . . .

Same Bat Time . . .

Same Bat Channel . . .

THANKS!!!!!





See You Next Month

13 Oct 21

