



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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IN REPLY J-33
REFER TO PROCLTR 03-01

JAN 2 ' 2003

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Revised Defense Logistics Acquisition Directive (DLAD) Guidance on the Acquisition Review and Approval Process (7.102, 7.104-90, 7.104-91, 90.1103, and 90.15)

This PROCLTR revises DLAD guidance on the review and approval process by establishing new dollar value thresholds and other criteria for acquisitions and acquisition-related business case analyses, replacing the Acquisition Planning Executive Council with the Integrated Acquisition Review Board, and revising the submission requirements for advance acquisition planning templates.

Subpart 7.1, Acquisition Planning, is changed to revise requirements in sections 7.102, Policy, incorporate new coverage at 7.104-90, Integrated Acquisition Review Board (I-ARB), and 7.104-91, Advance Acquisition Planning Template, respectively.

Part 90, Supplemental Procedures, is revised to incorporate new procedures in section 90.1103, Advance Acquisition Planning Template, and subpart 90.15, Performance Based Logistics Acquisition Process.

Compliance with this PROCLTR is mandatory 30 days from the date of this memorandum which expires upon incorporation into the DLAD. The points of contact for this PROCLTR are Ms. Nancy Heimbaugh, J-3311, who can be reached at (703) 767-3755 (DSN 427), or via e-mail at nancy_heimbaugh@hq.dla.mil or Ms. Catherine Heretick, J-3312, (703) 767-1361 (DSN 427), or e-mail at catherine_heretick@hq.dla.mil.

CLAUDIA S. KNOTT
Executive Director
Acquisition, Technical, and Supply

Attachment

ACQUISITION PLANNING

SUBPART 7.1 - ACQUISITION PLANS

- 7.102 Policy.
- 7.103 Agency-head responsibilities.
- 7.104 General procedures.
- 7.104-90 Integrated Acquisition Review Board (I-ARB)**
- 7.104-91 Advance Acquisition Planning Template**
- 7.105 Contents of written acquisition plans.
- 7.107 Additional requirements for acquisitions involving bundling.

SUBPART 7.1 - ACQUISITION PLANS

7.102 Policy.

(90) Written acquisition plans are required for all acquisitions expected to exceed the simplified acquisition threshold. This does not apply to orders against contracts when the acquisition plan is adequate to cover all anticipated orders. Acquisition plans shall be prepared in accordance with FAR 7.105, DFARS 207.105, and DLAD 90.1101, and 90.1102, and be approved at a level above the buyer as established by the Chief of the Contracting Office. The format at DLAD 90.1102 may be modified to suit the needs of the contracting office. A standard DLA-wide form is not prescribed in order to permit use of local forms or formats.

(91) Market surveys (see FAR 7.102) and market research (see FAR and DLAD Part 10) shall be performed consistent with any local operating procedures.

(92) The acquisition plan shall accompany the justification for other than full and open competition (see FAR 6.301, 6.304, and DLAD 6.304) when it is forwarded to the Activity Competition Advocate. The Activity Competition Advocate shall also be provided a copy of the acquisition plan for acquisitions where there **is no history of receipt of more than one offer and price competition is not expected to be received on the acquisition.**

(93) The plan shall identify anticipated costs, performance metrics, and the points of contact for monitoring contract performance.

(94) A Business Case Analysis (BCA) will be developed in accordance with the guidelines set forth in J-38's draft One Book procedures entitled, "Initiative Management Process." Approval thresholds for acquisition-related BCAs are addressed in DLAD 7.104-90 and Subpart 90.15.

7.104-90 Integrated Acquisition Review Board (I-ARB)

(a) The I-ARB will review all proposed performance based logistics (PBL) acquisitions (see 90.1501, Appendix A for definitions), proposed service acquisitions, and supporting BCAs, if appropriate, in accordance with the thresholds below. Additionally, all bundled requirements (see DLAD 7.107) resulting in a proposed acquisition of more than \$1 million must be approved by the I-ARB.

Performance Based Logistics (PBL) Acquisitions

<i>\$ Threshold (1)</i>	<i>Other Criteria</i>	<i>Review/Coordinate</i>	<i>Acquisition & BCA Approval Level</i>
<i>≥ \$5M - \$20M</i>		<i>Field Activity Level</i>	<i>Chief of the Contracting Office</i>
<i>> \$20 - \$50M</i>		<i>Field Activity Level</i>	<i>Head of Contracting Activity or designee (2)</i>
<i>> \$50M</i>		<i>HQ DLA/J-3312</i>	<i>I-ARB</i>
<i>All</i>	<i>DLA/Military Service Partnerships</i>	<i>HQ DLA/J-3312</i>	<i>I-ARB</i>

Acquisition of Services

<i>\$ Threshold (1)</i>	<i>Other Criteria</i>	<i>Review/Coordinate</i>	<i>Acquisition & BCA Approval Level</i>
<i>≥ \$100K - \$5M</i>		<i>Field Activity Level (includes DSS)</i>	<i>No lower than one level above contracting officer</i>
<i>> \$5M - \$20M</i>		<i>Field Activity Level (includes DSS)</i>	<i>Chief of the Contracting Office</i>
<i>> \$20M - \$50M</i>	<i>DESC, DSCP, DSCC, DSCR</i>	<i>Field Activity Level</i>	<i>Head of Contracting Activity or designee (2)</i>
<i>> \$20M - \$50M</i>	<i>All Other Activities</i>	<i>HQ DLA/J-3312</i>	<i>Streamlined I-ARB (3)</i>
<i>> \$50M</i>		<i>HQ DLA/J-3312</i>	<i>I-ARB or streamlined I-ARB</i>
<i>≥ \$0.5B - \$2B</i>		<i>HQ DLA/J-3312</i>	<i>Component Acquisition Executive or designee (4)</i>
<i>> \$2B</i>		<i>HQ DLA/J-3312</i>	<i>USD (AT&L) (4)</i>

Note (1) Total planned dollar value of base period and option periods.

Note (2) Delegable to a level above the Chief of the Contracting Office.

Note (3) As specified by the SPE

Note (4) OSD guidance per USD memorandum, 31 May 2002, "Acquisition of Services"

(b) I-ARB membership normally includes the executives/representatives identified below. The DLA Senior Procurement Executive (SPE) may determine additional members on a case-by-case basis. I-ARB decisions are considered corporate decisions. Representatives are expected to be empowered by their organizations during the I-ARB sessions. Acquisition reviews shall focus on key principles to include taking an enterprise-wide approach; assessment of established metrics and expected outcomes; and that acquisitions are established through business arrangements that are in the best interest of DLA and DoD. See DLAD 90.1501 for detailed guidance on PBL acquisitions.

Chair - SPE (Executive Director, Acquisition, Technical, and Supply Directorate)

*Members - J-81 (Deputy Comptroller, Budget and Program Integration Operations)**

*J-6 (Deputy Director, Information Operations)**

J-34 (Executive Director, Readiness and Customer Support)

J-37 (Executive Director, Distribution and Reutilization Policy)*

J-38 (Executive Director, Business Management)*

ICPs (Deputy Commanders or designated representatives)

DDC (Deputy Commander or designated representative)

Advisors - DG (Office of General Counsel)

DB (Small & Disadvantaged Business Utilization Office)

* Program Budget Resource Group Co-Chairs

(c) Unless otherwise determined by the SPE, a streamlined review board, consisting of designated I-ARB members, will convene to approve services acquisitions.

(d) Waiver of I-ARB review and approval requirements may be requested by the Chief of the Contracting Office, under exceptional circumstances. The request for waiver shall be submitted to the DLA Supplier Operations Branch (J-3312) and must include rationale and justification for the waiver. Waivers are granted by the SPE on a case-by-case basis.

(e) When an I-ARB review is required, the Chief of the Contracting Office must submit both hard and electronic copies of the following documents to J-3312 for evaluation: Acquisition plans (see 90.1101) reviewed and coordinated by appropriate field functional elements; source selection plan; incentive plan; justification and approval, as applicable; the solicitation; and an abbreviated (rough order of magnitude (ROM)) business case analysis, if appropriate. Upon receipt of the documentation previously listed, J-3312 will schedule an I-ARB meeting. Additionally, the contracting activity must present the I-ARB with a formal briefing. Additional requirements for specified milestone reviews for PBL acquisitions are addressed in 90.1501.

(f) The I-ARB retains the authority to review any special interest or high-risk acquisition.

(g) The I-ARB will advise the contracting activity if the proposed acquisition has unconditional approval, conditional approval, or disapproval. Unconditional and conditional approval authorizes the contracting activity to proceed with the acquisition. An interim decision will be provided at the conclusion of the formal briefing. Final I-ARB decisions will be transmitted by letter to the commander of the contracting activity.

* * *

7.104-91 Advance Acquisition Planning Template.

(a) An Advance Acquisition Planning Template (formerly the Advance Notice of Initiative for Potential APEC Review) (see 90.1103) should be completed for all proposed acquisitions above the simplified acquisition threshold. Proposed acquisitions that meet the criteria and the dollar thresholds identified below must be electronically submitted to J-3312 for review and approval once the contracting activity has sufficient information to complete the template. Excluded from this requirement are those acquisitions identified in paragraph 7.104-90. Once J-3312 reviews the template, the contracting activity will be advised whether they have authority to proceed with the acquisition. All templates must be coordinated with the contracting activity's Director of Small Business and Office of Counsel and be approved by the Chief of the Contracting Office.

<i>Contracting Activity</i>	<i>Total Dollar Value (Base Period and Option periods)</i>	<i>Other Criteria</i>
<i>DSCC, DSCP, DSCR</i>	<i>> \$ 50 million</i>	
<i>DESC*</i>	<i>> \$100 million</i>	
<i>All Other Activities</i>	<i>> \$5 million</i>	
<i>All Activities</i>	<i>\$1 million or less (See 7.104.90 for bundled acquisitions above \$1M)</i>	<i>All bundled acquisitions</i>

** Applies only to proposed acquisitions of natural gas.*

(b) J-3312 will advise the contracting activity within 15 calendar days after receipt of the Advance Acquisition Planning Template if the proposed acquisition is approved or disapproved, or whether an I-ARB is required. Once the proposed acquisition is approved, no significant changes shall be made without prior J-3312 approval.

(c) For proposed acquisitions below the review thresholds identified above, the Advance Acquisition Planning Template should be completed and approved by the Chief of the Contracting Office.

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PART 90

SUPPLEMENTAL PROCEDURES

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SUBPART 90.11 - ACQUISITION PLANNING

- 90.1101 Contents of written acquisition plans.
- 90.1102 An illustrative acquisition plan format.
- 90.1103 **Advance Acquisition Planning Template.**

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SUBPART 90.15 - Performance Based Logistics (PBL) Acquisition Process

- 90.1501 Requirement
- 90.1502 Acquisition Process and Milestone Review and Approvals
- 90.1503 Integrated Acquisition Review Board

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90.1103 Advance Acquisition Planning Template.

Proposed acquisitions meeting the criteria/thresholds at 7.104-91(a) must be summarized using the Advance Acquisition Planning Template below and submitted electronically to the DLA Supplier Operations Branch (J-3312) for review. Responses to this submission will be provided within 15 calendar days after receipt.

Template questions that do not apply to your activity should be answered as not applicable (N/A). If further detail is required, provide it at the bottom of the template.

All templates must be approved by the Chief of the Contracting Office and coordinated with the contracting activity's Associate Director of Small Business and Office of Counsel.

Advance Acquisition Planning Template

Contracting Activity _____ Office of Primary Responsibility _____
Date _____

Name PM/Contracting Officer: _____ Telephone: _____
FAX: _____ Email: _____

Solicitation Number / Contract / Initiative
Name: _____

Category ("X" the proper category): Prime Vendor___; Virtual Prime Vendor___; DVD___; Corporate Contract___; Strategic Supplier Alliance___; Electronic Catalog___; Long Term Contract___; Multi-Year Contract ___; Other___.

1. Describe the initiative, primary customers, and what is being contracted for:
 2. Reason for Initiative:
-

3. Identify any unique aspects of this initiative:

4. Contract Type: _____ Anticipated Award Date: (MM/YY) _____ Sol
Issuance Date: _____

5. Dollar value if other than LTC: _____. For LTC, complete chart below:

LTC Contract	Base Period	Option Period(s)	Total \$ Value
Length			
Estimated Dollar Value			
Guaranteed Minimum Dollar Value			

6. Competition ("X" one): Full & Open ____; Other than full & open (cite authority) _____.

7. Describe the performance metrics: what are they; how will they be measured; how often will they be measured; who will measure them; and what is the expected outcome.

8. Has your activity previously purchased the item(s): Yes ___ No ___

9. Acquisition will be conducted using FAR Part 12: Yes ___ No ___

10. Basis for Commercial/Non-commercial determination: _____

11. Number of NSNs/Part Numbered (PN) Items: _____

12. Are NSNs/PNs: Competitive _____ Non-competitive _____ Some of each _____

13. Number of items previously provided by small business: _____

14. Nomenclature & Quantity:

15. Delivery Requirements:

16. Will any supplies be delivered to stock? Yes _____ No _____

17. Describe market surveys and/or market research conducted and the results:

18. Planned evaluation strategy:

19. What are the logistical benefits of this initiative? (e.g. reduced ALT/PLT; reduced inventory; reduced customer wait time (CWT); increased supply availability; improved readiness; added contractor services such as forecasting, inventory management, quality; reduced manual PRs (touch labor)

20. Describe planned efforts to reduce PLT (e.g. using common-process parts groupings, arranging for access to long-lead time materials/ components, setting PLT reduction goals, etc.)

21. In addition to publicizing the acquisition to the general public (e.g. via FebBizOpps, Internet notice, etc.), describe planned efforts to solicit

responses from HUBZones, women-owned small businesses, small disadvantaged businesses, and service-disabled veteran-owned business concerns.

22. Was any portion of this requirement considered for placement in the 8(a) program? If not, why not?

23. Was any portion of this requirement set aside for small businesses?

24. If no portion is set aside for small business, why not?

25. Describe incentive strategies that will be used to evaluate offers or that encourage prime contractors to establish subcontracting opportunities with small businesses:

26. Describe how surge and sustainment (S&S) will be addressed.

27. Provide a statement that addresses each of the following concerns, if applicable. If information is not yet available, identify whether these issues will be addressed in the acquisition plan:

a. Potential workload/financial impact at other ICPs, and affected field activities such as DDC.

b. Contract management strategy and workload impact:

c. Quality/engineering/technical issues:

d. Effect on all military services, in addition to the primary customer:

Contracting Activity:

Coordination: _____
Office of Counsel

Coordination: _____
Director of Small Business

Date

Approved: _____
Chief of the Contracting Office

Date

Date received in J-3312 (mm/dd/yy) _____

Approved: Yes _____ No _____ HQ DLA/J-3312: _____

Date: _____

* * * *

Subpart 90.15 - PERFORMANCE BASED LOGISTICS (PBL) ACQUISITION PROCESS

90.1501 Requirement

(a) The Defense Logistics Agency (DLA) Senior Procurement Executive (SPE) has established a structured approach to serve as a model for managing and executing performance based, long term logistical support acquisitions. This process will be implemented by each Inventory Control Point (ICP) for all acquisitions which meet the definition of a Performance Based Logistics (PBL) acquisition (See Appendix A). Those acquisitions exceeding the thresholds identified in this subpart will be reviewed and approved by the DLA Integrated Acquisition Review Board (I-ARB), chaired by the SPE with representation from J-34 (Readiness and Customer Support Directorate), J-37 (Distribution and Reutilization Policy Directorate), J-38 (Business Management Directorate), J-81 (Deputy Comptroller, Budget and Program Integration Operations), J-6 (Deputy Director, Information Operations/Chief Technology Officer), the ICPs, and the Defense Distribution Center (DDC). Representatives from the DLA Office of General Counsel and Small & Disadvantaged Business Utilization Office are advisors to the I-ARB. The I-ARB has the option to continue the acquisition, modify the strategy, terminate the process, or determine how to proceed into the next phase. For those acquisitions below the threshold, the head of contracting activity or field activity Chief of Contracting Office shall establish and chair a similar review board based upon the approval thresholds in 90.1503(b) (i).

(b) PBL acquisitions are a major contributor to ensure the Agency continues to improve combat support to the warfighter while reducing investment costs in inventory and infrastructure. There are several types of initiatives/contractual arrangements underway within DLA with regard to acquisitions of performance based logistical support - Strategic Supplier Alliances (SSAs), PBL partnerships with the Military Services. These initiatives could take the form of long-term contracts - corporate contracts, Virtual Prime Vendor (VPV), Prime Vendor (PV), etc. These initiatives represent our strategic efforts to transform business practices from managing supplies to managing suppliers and have the potential to greatly reduce costs as well as improve the availability of items DLA provides to its customers. Appendix A provides a description of each initiative.

(c) The purpose of this guidance is to integrate current logistical support initiatives into a structured and manageable integrated acquisition process, and to ensure participants involved are aware of and fully understand all aspects of the PBL acquisition process. Given the dollar value, complexity, and importance of these types of contractual arrangements, there is a need to implement a program management approach that integrates business strategies with the acquisition process and enhances the Agency's ability to provide the best support available to its customers.

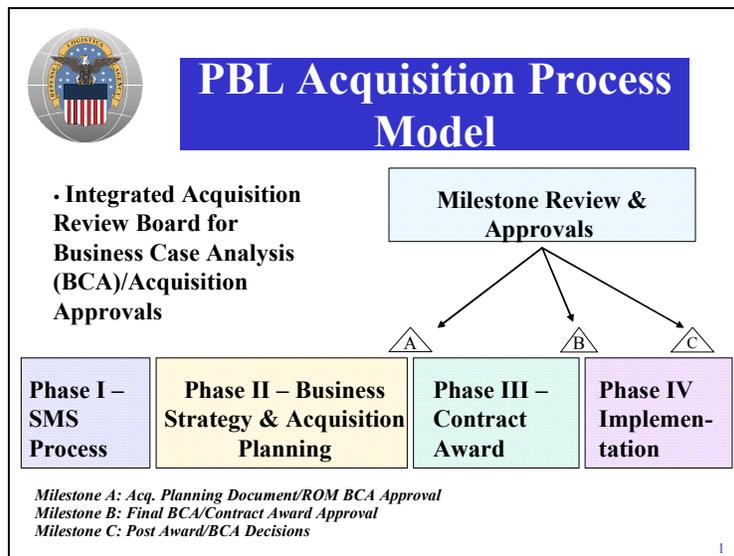
(1) In addition, this approach incorporates the business case analysis (BCA) into the acquisition process to emphasize its importance as a tool for making sound business decisions in determining appropriate implementing strategies, and streamlines the review and approval process by establishing a single approval for both the business case and the acquisition. Throughout the entire acquisition process, contracting activities will be required to

perform a continuous review/updating/assessment of both the BCA and the contract.

(2) In order to ensure successful PBL acquisition implementation and to ensure that the appropriate level of buy-in is obtained from all responsible parties, PBL acquisitions will be developed in an integrated product team (IPT) environment. The team will be efficiently comprised of representatives from both within and outside the organization – Government and Industry (when appropriate). Appendix A provides a definition of an IPT. With a structured and integrated process in place, the centers and DLA can achieve even greater benefits through the sharing of information, lessons learned, best practices, and a multi-functional approach to acquiring PBL support.

90.1502 Acquisition Process and Milestone Review and Approvals.

(a) The acquisition process will consist of four phases: Phase I – Strategic Material Sourcing; Phase II Business Strategy and Acquisition Planning; Phase III – Contract Award Process; and Phase IV – Implementation. A graphic representation of the PBL acquisition process is shown below. This section will discuss each aspect of the overall acquisition process.



(1) Phase I. Selection Process – Strategic Material Sourcing (SMS)

(i) SMS is DLA's umbrella initiative that targets a relatively small subset of the total DLA-managed hardware items based on those NSNs that drive the Agency's business and/or have a potential impact on readiness. SMS encompasses all of the Agency's "shift to commercial practices" initiatives for hardware Class IV and IX items, e.g., SSAs, PV, corporate contracts, and other long-term arrangements. The initiative is based on expanding DLA's successful adoption of commercial practices for energy and troop support items by developing and applying similar corporate strategies and techniques to the hardware commodities. As demonstrated in the commercial marketplace, the SMS process can be applied to any type of commodity.

(ii) This phase starts with identifying potential candidates for a PBL arrangement by conducting a business analysis of NSNs or material using a set of factors such as sales drivers, demand drivers, and potential readiness drivers. Input into this process should be considered from a variety of sources, including industry partners, customers, and weapon systems program managers, as well as other government sources. Once the target population is established, the items may be segmented into the four quadrants of the Material Positioning Matrix or similar technique, based on the relative cost/value and degree of procurement difficulty. Appendix A provides a definition, step-by-step process on developing and implementing SMS strategies, as well as the Material Positioning Matrix. While the current SMS process targets a specific NSN population (445K), the intent of this phase is to apply the methodology to any NSN managed by DLA.

(2) Phase II. Business Strategy and Acquisition Planning

(i) This phase sets the framework for the overall acquisition by establishing a business strategy and enhanced acquisition plan for items identified based on Phase I analysis. Although this is a two-pronged approach, it is envisioned that business strategy and acquisition planning should be an integrated and coordinated process rather than sequential.

(ii) Once the potential items or grouping of items are identified in Phase I, the initiative must be evaluated in terms of economic feasibility. This phase consists of evaluating the abbreviated (initial rough order of magnitude (ROM)) BCA to be used in developing the acquisition strategy. The BCA should be used as a tool to identify certain costs to manage an identified grouping of NSNs, and allow for a determination of alternatives on whether it is in the government's best interest to proceed with a PBL acquisition.

(A) Business Strategy: In determining the business strategy, use the following approach:

(1) Determine appropriate and most effective cross-functional IPT. This involves an IPT structure comprised of appropriate process owners with stakeholder coordination and in some cases - participation, depending upon the size and complexity of the acquisition. The IPT should function as an integrated team throughout the entire acquisition process to ensure all issues, concerns, and needs are appropriately addressed when pursuing the best value solution. IPT members may include, but not be limited to technical specialist, demand planners and supply planners, item managers, quality assurance specialists, contract specialist, legal counsel, contract review and/or pricing analysts, financial analyst, weapon system support managers, supplier relationship managers, and customer representatives to include DLA's customer support representatives and an industry representative when appropriate to the circumstances. Appendix B provides information and guidance on leading and participating in effective and efficient IPTs.

(2) Evaluate and assess the abbreviated BCA data. This includes evaluating the baseline costs, facts, and supporting

details among potential business alternatives and documenting the current environment, possible improvements, and an outline of business strategy.

(3) Document the logistical benefits (e.g. reduced administrative lead time, reduced production lead time; reduced inventory; reduced customer wait time; increased supply availability; improved readiness; added contractor services such as forecasting, inventory management, quality; reduced manual purchase requests (PRs) (touch labor)); configuration control management; distribution and transportation services specific to the acquisition and that will be measured and tracked in Phase IV.

(4) Select type of PBL support (corporate contract, PV, VPV, standard long term contract) if applicable, where performance metrics are incorporated that best serves the customer's needs, is consistent with the BCA conclusions, and provides the most effective and improved method of support. A long-term contract may not be a PBL if there are no performance metrics (other than compliance with delivery schedule).

(5) Develop exit strategy for transitioning items and support from contractor managed to DLA managed, if necessary.

(B) Acquisition Planning Approach:

(1) As with the business strategy, acquisition planning should be accomplished by applying the right level of expertise to formulate the strategy. When developing the acquisition plan, the integrated team should develop an approach that is appropriate to satisfying the identified requirement, consistent with sound business practices and based on the degree of risk involved. The team should also establish the managerial approach that will be used to direct and monitor all elements of the acquisition to achieve the goals and objectives established during Phase I and identified in the BCA.

(2) Market Research. Although an initial market investigation may have been conducted during Phase I, it may be necessary to validate those initial assumptions or conclusions and apply them toward a more comprehensive analysis of the market environment. In addition, using the IPT to accomplish market research may add additional value when determining the appropriate strategy to implement. Market research information and web sites are available at <http://www.arnet.gov/Library/PreSolicit/presolicit.html>.

(3) Sole Source Strategy. During Phase I and subsequent to market research, the IPT may conclude the requirements are available from only one source. This determination should be made as early as possible when considering long term, strategic partnerships, and business relationships using an SSA or corporate contract approach. These types of strategies model commercial best practices, increase value, and enhance support to our customers. When considering an SSA, the following factors should support the decision:

- The requirement is adequately justified as sole source and will be validated at least annually and before each option exercise.
- An agreement, developed jointly between the IPT and the contractor, can be established and documented to clearly outline the aspects of the business relationship to include business rules, functional roles, goals, and milestones.
- The customer is fully engaged and supports the elements of the business agreement.
- An exit strategy is adequately incorporated into the agreement.
- The IPT will prepare a concise, high-level charter to be signed by the Director, DLA and the industry counterpart.

Whether the acquisition is an SSA, corporate contract or other sole source strategy, IPTs are encouraged to utilize the alpha contracting process as a partnering technique to streamline the procurement process and achieve a reduction in time to award the contract. Appendix A provides a description and information on alpha contracting.

(4) *Competitive Strategy.* When consolidating requirements that were previously awarded to small business or requirements for which a small business could have competed, consult the contract bundling guidance set forth in DLAD 7.107 to determine whether this could qualify as a bundled acquisition. If so, assess the impact on small business before proceeding with the acquisition. Tailor evaluation factors to allow for offerors to propose different or innovative methods of support to include performance metrics or incentives. A pre-proposal conference may be appropriate to obtain industry input, improvements, and new or alternative approaches to acquiring the requirement.

(5) *Performance Based Statement of Objectives (SOO)/Statement of Work (SOW).* The IPT will develop a SOO or SOW, depending upon the specific requirement identified in Phase I. Analyze the SOW and additional requirements to determine which contract performance requirements, if any, should be subject to award or incentive fees. Candidates for consideration as incentive/award fee elements should be those that are high-risk processes or a new process improvement not performed traditionally.

(6) *Planned Contract Type.* Contract types (e.g. firm fixed price, fixed price incentive, fixed price with economic price adjustment) most likely to motivate contractors to perform at optimal levels shall be chosen, with consideration given to risk assessment and reasonable risk-sharing by the Government and the contractor(s). If acquiring commercial items under FAR Part 12, use of incentives is permitted as long as the incentive is based solely on factors other than costs, e.g. performance or delivery.

(7) *Method of Contract Performance Management:*

(i) *Contract Performance Management Plan.* There is a need to provide enhanced monitoring of contractor performance and to ensure satisfactory administration of PBL acquisitions. Therefore, the contracting officer, in conjunction with the IPT, should develop a contract performance management plan to delineate responsibilities for specific administration functions. The plan requires coordination within the IPT to include the Customer Support Representatives, the customer, and the Defense Contract Management Agency (DCMA), where appropriate. The plan should describe the method of managing performance (measuring/tracking metrics and incentives) after award, identify specific roles and functions (include specific responsibilities for the contracting officer, COR (if applicable), ordering officer, DCMA, and program manager.

(ii) *Performance Review Board.* Consider establishing a performance review board. The board should be comprised of appropriate representatives within the ICPs as well as customer representatives such as the fleet, program management offices, DCMA, or Military Services (when in a PBL partnership arrangement). The purpose of the board is to oversee contract performance. This can be done on a periodic basis such as monthly, quarterly, etc., and may also serve as the review/approval forum for award fees, incentives, and disincentives in accordance with the associated plan.

(8) *Planned Evaluation Strategy/Negotiation Strategy:*

(i) *Determine Contract Incentives/Disincentives.* To the maximum extent practicable, performance incentives, either positive or negative or both, monetary or non-monetary, shall be incorporated into the contract to encourage contractors to increase efficiency and maximize performance. Appendix B includes information and guidance regarding use of incentives in defense acquisitions.

(ii) *Establish Metrics.* Ensure the use of measurable performance and supply chain effectiveness standards. Examples include, but are not limited to: quality, fill rate, back orders, logistics response time, contractor processing time, customer wait time, and customer satisfaction. When establishing metrics, ensure the metrics can be directly linked to the performance incentives.

(iii) *Milestone A Approval.* Upon completion of Phase II, the SPE and the Integrated Acquisition Review Board (I-ARB) will approve the initiation into Phase III of the acquisition process. The I-ARB confirms the acquisition strategy prior to release of the solicitation and approves the abbreviated BCA. The IPT should document major aspects of both the business and acquisition strategy, and request approval to proceed. The Chief of the Contracting Office shall concur with the proposed business and acquisition strategy prior to Milestone A approval.

(iv) Upon receipt of the following supporting documentation, J-3312 will schedule an I-ARB meeting: formal acquisition plan, justification and approval (if applicable), contract performance management plan, source selection plan, incentive plan, abbreviated BCA, and draft solicitation.

(v) One week prior to the scheduled I-ARB, the field activity will submit an advance copy of the Milestone A approval request briefing to J-3312, along with any final documentation not submitted above. The following information, at a minimum, must be addressed for Milestone A approval:

Information Required for I-ARB Milestone A Approval	Description
Acquisition overview	Summary of initiative, scope, customers, estimated value
Management approach	What level of management control will you exercise to oversee the entire acquisition process?
BCA initial findings (to include potential savings)	The BCA will be developed in accordance with J-38's Draft One Book Chapter entitled "Initiative Management Process"
Performance metrics, incentives/disincentives	The acquisition strategy shall explain the incentive structure, and how it incentivizes the contractor(s) to provide the contracted items to meet or exceed established goals and objectives. If more than one incentive is planned for a contract, the acquisition strategy shall explain how the incentives complement each other and ensure the incentives will not interfere with one another.
Planned contract approach	Include Plan of Action & Milestones (POA&M), evaluation strategy, and method of monitoring contract performance
Small business issues	Address any impact on small business such as bundling. See DLAD 7.107
Surge & Sustainment requirements	See DLAD 7.104
Exit strategy	Address transitioning of items and support if appropriate.
Challenges & issues, risks	
Accomplishments	Include results of discussions with customers

(vi) All source selection information shall be marked as "Source Selection Information—See FAR 2.101 and 3.104".

(3) Phase III. Contract Award Process

(i) This phase begins with the issuance of the solicitation, offer evaluation, update of the BCA for comparison of baseline costs with the contractor proposal, and an update of the exit strategy. Once a proposal is reviewed, analyzed, and agreement reached on the various elements of a contractor's final cost/price proposal, a review is conducted to ensure the proposal is consistent with all the SOO/SOW requirements. To complete the BCA process, the cost/price proposal information is incorporated into the document where the results are analyzed and compared to traditional support costs for a determination on the most efficient and effective support.

(ii) Milestone B Approval. The purpose of Milestone B is to approve the final BCA and authorize proceeding to contract award or decide to terminate the process based on the recommendations presented. Prior to making the milestone decision, the I-ARB will consider the results of the analysis to include the comparison of baseline costs with the proposed cost/price, assess any risks, along with an updated exit strategy, associated with the recommended course of action, and review the results of the negotiations.

(iii) Upon receipt of the following documentation, J-3312 will schedule an I-ARB meeting: final BCA documentation; source selection decision memorandum; Technical Evaluation Report.

(iv) One week prior to the scheduled I-ARB, the field activity will submit an advance copy of the Milestone B approval request briefing to J-3312.

(v) The following information, at a minimum, must be addressed for Milestone B approval: Background (Acquisition and BCA); changes since Milestone A approval; updated acquisition POA&M; results of negotiations; final BCA conclusions.

(vi) All source selection information shall be marked as "Source Selection Information—See FAR 2.101 and 3.104".

(4) Phase IV. Implementation

(i) The implementation phase begins upon contract award and requires continuous contract performance monitoring of the methods/measurements developed and stated in the SOW throughout the life of the contract. Monitoring contract performance should be accomplished with the established IPT to ensure all expected outcomes established in the previous phases are appropriately evaluated and addressed. Responsibilities include:

- Assessment of contractor performance against established, measurable standards incorporated into the contract.
- Re-assessment of logistical benefits and costs based on measured/tracked data and analyzed against the documented, baseline decision analysis (BCA).
- Validate and update the BCA prior to exercise of each option, upon significant changes during contract performance, and at completion of contract performance.

(ii) Milestone C Approval. Milestone C approval will be granted prior to exercising each option period and upon significant changes in contract performance. If the change involves the acquisition strategy, it must be approved by the SPE and the I-ARB.

(iii) Upon receipt of the following supporting documentation, J-3312 will schedule an I-ARB meeting: updated BCA; contract award to include modifications and related contractual documents not submitted under previous milestones; incentive/award fee schedule/execution.

(iv) One week prior to the scheduled I-ARB, the field activity will submit an advance copy of Milestone C approval request briefing to J-3312.

(v) The following information, at a minimum, will be addressed for Milestone C approval: Updated BCA findings (to include re-assessed costs and benefits based on abbreviated BCA); assessment of metrics and incentives/disincentives; changes in acquisition since last milestone approval.

90.1503 Integrated Acquisition Review Board

(a) The Integrated Acquisition Review Board is the decision authority to be executed at the milestone review points for all major PBL acquisitions. The reviews associated with each milestone point will typically address business and acquisition strategies, risks, trade-offs, and the assessment of exit criteria as the acquisition progresses through the phases. The reviews are geared to be streamlined and will only require the information specified by the SPE. (See Subpart 7.1; 7.104-90)

(b) Thresholds

(i) The table listed below depicts threshold levels and other criteria for approval at the HQ and field level, including review and coordination requirements.

PBL ACQUISITION REVIEW THRESHOLDS

Threshold *	Other Criteria	Review/Coordinate	Acquisition & BCA Approval Level
≥ \$5M - \$20M		Field Activity Level	Chief of the Contracting Office
> \$20 - \$50M		Field Activity Level	Head of Contracting Activity or designee**
> \$50 million		HQ DLA/J-3312	I-ARB
All	DLA/Military Service Partnerships	HQ/DLA J-3312	I-ARB

* Value of base period and option periods.

** Delegable to a level above the Chief of the Contracting Office

(i) The SPE retains the authority to review any high-visibility, special interest acquisition.

(c) Waiver of Integrated Acquisition Review Board Review and Approval Requirements

(i) Waiver of I-ARB review and approval requirements may be requested by the Chief of the Contracting Office, under exceptional circumstances. The request for waiver shall be submitted to the DLA Supplier Operations Branch (J-3312), must include the rationale and justification for the waiver, and should address the minimum requirements under each milestone, to the extent practicable. Waivers are granted by the SPE on a case-by-case basis.

Appendix A
Definitions/Descriptions

Alpha Contracting. An innovative contracting technique, typically used in satisfying sole source requirements, that transfers the acquisition process from a consecutive (and sometimes iterative) process into a more efficient and streamlined concurrent process. From solicitation development, through proposal preparation, to evaluation, negotiation, and award, Alpha contracting relies on a team approach to concurrently develop a requirement through award and implementation. Information on Alpha contracting can be found from a wide variety of sources through the search function of the DoD Acquisition Deskbook, accessible from the OSD AcqWeb homepage or <http://www.dau.mil>.

Business Case Analysis (BCA). A comparative analysis that presents facts and supporting details among competing business alternatives. The BCA should facilitate a determination whether to implement a PBL type arrangement by comparing the Government's cost of supporting the initiative versus the contractor's cost of supporting the items or material. There are two types - abbreviated (rough order magnitude (ROM)), and final BCA.

Corporate Contract. A long-term contract that aggregates requirements of more than one ICP or Military Service with a single supplier. A corporate contract can support both DLA direct (DLA owns inventory) and/or customer direct (vendor holds inventory). (Note: DLA direct and customer direct are Business Systems Modernization Program terms.)

Customer Wait Time (CWT) - This measures the elapsed time from the issuance of a customer order to the satisfaction of that order.

Integrated Acquisition Review Board (I-ARB). The I-ARB is the decision authority to continue the acquisition, modify the strategy, terminate the process, or determine how to proceed into the next phase of the acquisition. (See Subpart 7.1; 7.104-90)

Integrated Product Team (IPT). Team composed of representatives from appropriate functional disciplines working together to build successful programs, identify and resolve issues, and make sound and timely recommendations to facilitate decision-making. There are three types of IPTs: overarching IPTs (OIPTs) that focus on strategic guidance, program assessment, and issue resolution; working level IPTs (WIPTs) that identify and resolve program issues, determine program status, and seek opportunities for acquisition reform; and program level IPTs that focus on program execution and may include representatives from both government and industry.

Long Term Contracts. A contract in excess of one year (including options) with delivery orders. DLA direct and/or customer direct.

Performance Based Logistics (PBL) acquisition. Acquisitions of material and/or logistics support (such as inventory management, storage, materiel handling, and transportation) (customer direct or DLA direct) where performance is evaluated based on measurable outcomes to ensure improved readiness, availability, or reduced overall costs to the customer and DLA. PBL acquisitions may include long term contracts, prime vendor contracts, virtual prime vendor contracts, and corporate contracts.

Prime Vendor/Virtual Prime Vendor. A long term contract with a commercial distributor, original equipment manufacturer (OEM), or third party logistics provider for integrated logistics support that may include forecasting, inventory management, distribution, engineering support, technical services or other services to support customer needs. Normally includes performance metrics. Customer direct.

Service Partnerships. An arrangement between a Military Service and DLA to award or modify a single performance based logistics contract consisting of both DLA NSNs and Service NSNs.

Strategic Material Sourcing (SMS). SMS is DLA's umbrella initiative that targets a relatively small subset of the total DLA-managed hardware items based on those NSNs that drive the Agency's business and/or have a potential impact on readiness. SMS encompasses all of the Agency's "Shift to Commercial Practices" initiatives for hardware items, e.g., Strategic Supplier Alliances, Corporate Contracts and other long-term agreements. The initiative is based on expanding DLA's successful adoption of commercial practices for energy and troop support items by developing and applying similar corporate strategies and techniques to the hardware commodities. The attached White Paper provides an overview of Strategic Sourcing, which is the commercial sourcing strategy that forms the basis for SMS.



SMS White Paper.pdf

Strategic Supplier Alliances. One of the key tools within the SMS umbrella. They involve long-term partnerships between DLA and major sole source suppliers that establish a collaborative relationship to accomplish a mutually compatible goal. SSAs involve true corporate-wide arrangements that entail identifying process changes beneficial to both parties, aligning purchasing with manufacturing and establishing performance based objectives. The overall goals of the SSA approach are improved availability, reduced customer wait time, reduced inventory, and reduced total price.

Appendix B
Regulation, Guidance, Best Practices, Sample SOWs, and Templates

Federal Acquisition Regulation (FAR). FAR Subpart 37.600 prescribes policies and procedures for the use of performance-based contracting methods.

Defense Federal Acquisition Regulation (DFARS). DFARS Subparts 237.601 and 212.102 permit contracting officers to use FAR Part 12 for performance-based contracts for services under certain circumstances.

The Office of Federal Procurement Policy (OFPP). OFPP's ARNet website - <http://www.arnet.gov/Library/PreSolicit/presolicit.html> offers a variety of information on performance based service contracting (PBSC) such as guidance on Best Practices for Performance-Based Contracting, Final Edition, October 1998; OFPP Report on the Performance-Based Service Contracting Pilot Project, May 1998; and OFPP Memorandum, Subject: PBSC Checklist. Templates and samples are also available.

Seven Steps to Performance Based Acquisition. This guide, geared to the greater acquisition community (especially program offices), breaks down performance-based service acquisition into seven simple steps.

- Establish an integrated solutions team
- Describe the problem that needs solving
- Examine private-sector and public-sector solutions
- Develop a performance work statement (PWS) or statement of objectives (SOO)
- Decide how to measure and manage performance
- Select the right contractor
- Manage performance

Located on the following website, <http://oamweb.osec.doc.gov/pbsc/index.html>, the guide also includes several links to performance-based acquisition sites which include samples and templates.

U.S. General Services Administration. GSA's portal provides several agency websites which link to a variety of sources of information on performance-based acquisition (includes samples and templates):

http://www.gsa.gov/Portal/content/pubs_content.jsp?contentOID=121260&contentType=1008&cid=null

U.S. Navy. Information on the Navy's Performance Based Logistics' Acquisitions is available at <http://extra.navicp.navy.mil/scs/pbl.html>. The information contained within this extranet site includes SOWs as well as performance and supply chain metrics.

Deputy Under Secretary of Defense for Logistics and Materiel Readiness. Product Support for the 21st Century: A Program Manager's Guide to Buying Performance. This guide presents a performance-based logistics (PBL) strategy for product support of weapon systems. The guide is a tool for program managers as they design product support strategies for new programs, major modifications, or as they reengineer product support strategies for legacy weapon systems.



perfbasedguide.pdf

The Under Secretary of Defense Acquisition and Technology. Performance Based Services Acquisition Guidebook - January 2001. The Department of Defense (DoD) developed this guidebook as a cooperative effort among the components to help the acquisition team, and any other stakeholder, better understand the basic principles of PBSA and better implement performance based methodologies into service acquisition.



pbsaguide010201.pdf

The Under Secretary of Defense. The attached guidance, Guide to Incentive Strategies for Defense Acquisitions - January 2001, amplifies existing policy regarding use of incentives in defense acquisitions.



incentivesguide-0201.pdf

The Office of the Secretary of Defense (OSD). OSD's Rules of the Road: A Guide for Leading Successful Integrated Product Teams, located on the DoD Acquisition Deskbook website: http://web2.deskbook.osd.mil/htmlfiles/DBY_dod.aspis, is a living document that facilitates organizing, leading, and participating in effective and efficient IPTs.