



# Department of Defense **INSTRUCTION**

**NUMBER** 5000.74

January 5, 2016

Incorporating Change 2, August 31, 2018

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USD(A&S)

**SUBJECT:** Defense Acquisition of Services

**References:** See Enclosure 1

1. PURPOSE. In accordance with the authority in DoD Directive (DoDD) 5134.01 (Reference (a)), this instruction:

a. Establishes policy, assigns responsibilities, and provides direction for the acquisition of contracted services.

b. Establishes and implements a management structure for the acquisition of contracted services.

c. Consistent with statutory and regulatory requirements for the acquisitions of services, authorizes DoD Component decision authorities to tailor the procedures in this instruction to best achieve cost, schedule, and performance objectives.

d. Uses a data collection system (Federal Procurement Data System – Next Generation (FPDS-NG)) to provide management information with regard to each purchase of services by a DoD Component.

e. Incorporates and cancels Enclosure 9 of DoD Instruction (DoDI) 5000.02, (Reference (b)) in accordance with the authority in DoDD 5000.01 (Reference (c)).

2. APPLICABILITY

a. This instruction applies to:

(1) OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this instruction as the “DoD Components”).

(2) The acquisition of services from private sector entities by or for the DoD with a total estimated acquisition value in current year dollars at or above the simplified acquisition threshold (SAT) except those excluded in paragraph 2b of this section.

(3) The acquisition of all advisory and assistance services (A&AS) in support of research and development R&D or construction activities that are categorized within the knowledge-based services portfolio group, as defined in Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) memorandum (Reference (d)).

b. This instruction does **not** apply to:

(1) Services that are managed and reviewed as part of major and non-major defense acquisition programs and major and non-major information technology (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 Reference (b).

(2) Services listed in subpart 37.502 of the Federal Acquisition Regulation (Reference (e)).

(3) Classified, cryptologic, and intelligence projects and service activities, except to the extent practical at the discretion of senior officials and decision authorities.

(4) Services from DoD Federally Funded Research and Development Centers (FFRDCs), which are acquired in accordance with the management structure described in subpart 35.017 of Reference (e) and the DoD FFRDC Management Plan; and from DoD University Affiliated Research Centers (UARCs), which are acquired in accordance with the management structure described in the DoD UARC Management Plan (Reference (f)).

c. Exemptions from this instruction include:

(1) Service Acquisition Category (S-CAT) requirements, as outlined in Table 1, when in direct support of a declared overseas contingency or humanitarian or peacekeeping operations as defined in subpart 2.101 of Reference (e). This exemption will apply to the response and initial deployment phase, but will terminate as soon as practical based on conditions on the ground and a determination by the decision authority.

(2) All contracted services required to respond to and recover from an emergency or disaster directly supporting an emergency declaration or a major disaster declaration by the President. This exemption will apply to the response and initial recovery phase, but will terminate as soon as practical during the sustainment phase managing reconstruction and recovery efforts based on conditions on the ground and a determination by the decision authority.

Table 1. Acquisition of Services Categories

Category	Threshold <sup>1</sup>	Decision Authority
Services Category I	Any acquisition of services with an estimated total value of \$1 billion or more than \$300 million in any one year	USD(AT&L) or designee, or Military Department Service Acquisition Executive (SAE) or designee
Special Interest <sup>2</sup>	As designated by the USD(AT&L)	USD(AT&L) or designee
Services Category II	Acquisitions of services with an estimated total value of \$250 million or more, but less than \$1 billion	USD(AT&L) or designee, or Military Department SAE or designee
Services Category III	Acquisitions of services with an estimated total value of \$100 million or more, but less than \$250 million	Senior Services Manager (SSM) or designee
Services Category IV	Acquisitions of services with an estimated total value of \$10 million or more, but less than \$100 million	SSM or designee
Service Category V	Acquisitions of services with an estimated total value of the SAT or more, but less than \$10 million	SSM or designee
<sup>1</sup> Dollar threshold determined based on the Independent Government Cost Estimate (IGCE) in current-year dollars. <sup>2</sup> The Special Interest designation is typically based on one or more of the following factors: technological complexity; congressional or administration interest; a large commitment of resources; or whether the program is critical to the achievement of a capability or set of capabilities, part of a system of systems, or a joint program.		

3. POLICY. It is DoD policy that:

a. Acquisition of contracted services is a command responsibility: unit, organization, and installation commanders are responsible for the appropriate, efficient, and effective acquisition of contracted services by their organizations.

b. Contracted services, along with military and civilian manpower, are an element of the DoD's Total Force. Contracted services are procured by means that are in the best interests of the DoD. Service contracts are entered into and managed in accordance with applicable laws, regulations, directives, and requirements.

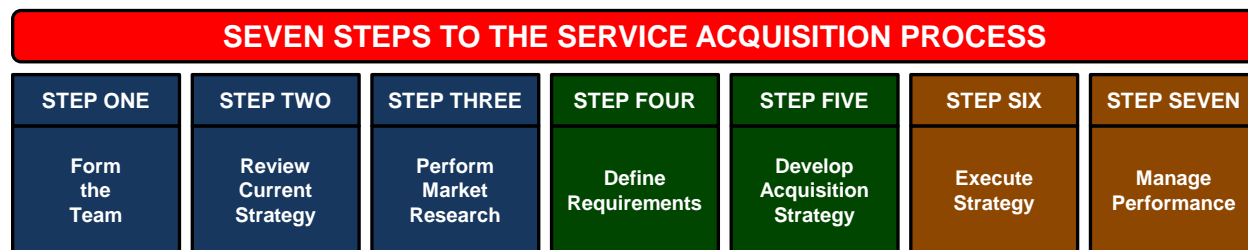
c. The DoD Functional Domain Experts (FDEs) for services acquisition management of each service category will be appointed by the USD(AT&L) in order to provide effective strategic oversight of contract service acquisitions. Component Level Leads (CLLs) will be appointed by the Component heads to assist the FDE in actively overseeing the life-cycle process of contracted services acquisitions.

d. The DoD uses competitive procedures and incentive- and performance-based contracting to the maximum extent practical for the procurement of contracted services.

e. Each requirement for contracted services is reviewed and validated by the requiring activity authority in accordance with DoD Components procedures. (See Enclosure 5.)

f. The steps outlined in Figure 1 should be used to the maximum extent practical to ensure the use of proven, repeatable processes and procedures contributing to successful services acquisitions.

Figure 1. Seven Steps to the Service Acquisition Process and Key Deliverables



g. Services acquisitions will be managed to provide the greatest opportunity for the DoD to leverage small business capabilities and maximize competition.

h. Contractors should not be used to perform inherently governmental functions as outlined at subpart 7.5 of Reference (e); subpart 207.5 of the Defense Federal Acquisition Regulation Supplement (Reference (g)); section 2463 of Title 10, United States Code (U.S.C.) (Reference (h)); Office of Federal Procurement Policy Letter 11-01 (Reference (i)); and DoDI 1100.22 (Reference (j)). The reliance on contractors to perform functions that are critical or closely associated with inherently governmental functions will be limited and approved by exception only as outlined at subparts 7.503(d) and (e) of Reference (e).

i. Contractors should not be used to perform work currently performed by DoD civilians or work designated for performance by DoD civilians as outlined in Section 2461 of Reference (h).

j. The acquisition strategy for contracted services should provide incentives to industry to improve productivity and performance consistent with DoD objectives.

k. The government workforce acquiring and managing contracted services will be trained and experienced to acquire and manage acquisitions of contracted services in accordance with section 2330 (a)(1)(B)(ii) of Reference (h).

l. All acquisitions of IT services, regardless of acquisition of services category, are subject to subtitle III, of Title 40, U.S.C. (Reference (k)). For all acquisitions of IT services, decision authorities and chief information officers (CIOs) will ensure that that acquisition strategy and related planning address the relevant aspects of Reference (k) before contract award. (See Enclosure 7 for IT Services guidance.)

m. Existing federal government contracts available for use within the DoD, including inter-agency and federal strategic sourcing initiatives, should be used to the maximum extent practical before awarding new contracts.

n. The acquisition strategy and acquisition plan for contracted services will provide appropriate mechanisms to identify and manage intellectual property issues to allow industry a

fair and reasonable return on investment, but avoid vendor lock, and enable the competitive and cost-effective transition to follow-on service providers. Where competition is determined not to be feasible or practical, acquisition strategies and plans will incorporate processes to generate improved performance or cost savings with the sole source vendor, such as incentives and performance metrics.

- o. DoD managers will use “should cost” analysis and establish cost reduction targets.

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES. See Enclosures 3-7.

- a. Enclosure 3 outlines the oversight responsibilities when acquiring contracted services to support DoD requirements.

- b. Enclosure 4 outlines the key management roles and responsibilities when acquiring contracted services to support DoD requirements.

- c. Enclosure 5 establishes a process for developing, analyzing, reviewing, and validating requirements for the acquisition of contracted services, as required by section 2330 of Reference (g).

- d. Enclosure 6 establishes data collection requirements and reporting requirements to support annual updates to the senior officials and FDEs and the annual reporting requirements under the Inventory of Contracts for Services (ICS) of Reference (h).

- e. Enclosure 7 provides acquisition considerations for IT services. IT services include providing the operation, support, and maintenance of IT and may include providing commercial or military unique IT equipment with the services.

6. INFORMATION COLLECTION REQUIREMENTS. The Annual ICS in Reference (h), referred to in Enclosure 6 and throughout this instruction, has been assigned report control symbol DD-AT&L(A)2576 in accordance with the procedures in Volume 1 of DoD Manual 8910.01 (Reference (l)).

7. RELEASABILITY. **Cleared for public release.** This Instruction is available on the Directives Division Website at <http://www.esd.whs.mil/DD/>.

8. SUMMARY OF CHANGE 2. This change reassigns the office of primary responsibility for this instruction to the Under Secretary of Defense for Acquisition and Sustainment in accordance with the July 13, 2018 Deputy Secretary of Defense Memorandum (Reference (aq)).

9. EFFECTIVE DATE. This instruction is effective January 5, 2016.



Under Secretary of Defense for Acquisition,  
Technology, and Logistics

Enclosures

1. References
2. Responsibilities
3. Oversight of Contracted Services Portfolios
4. Key Services Acquisition Management Roles and Responsibilities
5. Services Acquisitions Requirements Development, Validation, and Oversight
6. Data Collection, Reporting, and Inventory of Contracted Services
7. Acquisition Considerations for IT Services (Including IT As-a-Service)

Glossary

TABLE OF CONTENTS

ENCLOSURE 1: REFERENCES.....9

ENCLOSURE 2: RESPONSIBILITIES.....11

    USD(AT&L).....11

    DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY (DPAP) .....11

    UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
    (USD(P&R)) .....12

    DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION (CAPE) .....12

    DOD COMPONENT HEADS.....12

ENCLOSURE 3: OVERSIGHT OF CONTRACTED SERVICES PORTFOLIOS .....13

    OVERVIEW .....13

    PORTFOLIO MANAGEMENT TAXONOMY .....13

    KEY PORTFOLIO MANAGEMENT PARTICIPANTS .....14

ENCLOSURE 4: KEY SERVICES ACQUISITION MANAGEMENT ROLES AND  
RESPONSIBILITIES .....18

    PURPOSE.....18

    ACQUISITION CHAIN OF COMMAND.....18

    SSMS .....18

    PM OR FSM .....20

ENCLOSURE 5: SERVICES ACQUISITIONS REQUIREMENTS DEVELOPMENT,  
VALIDATION, AND OVERSIGHT .....22

    GENERAL.....22

    SERVICES ACQUISITION MANAGEMENT OVERSIGHT .....22

    SRRB PROCESS .....22

    SRRB CONSIDERATIONS.....23

    MFTS .....23

    SUBMISSION OF ACQUISITION STRATEGIES TO OSD FOR REVIEW AND  
    APPROVAL .....24

    PEER REVIEWS .....24

    IT SERVICES.....25

    PERFORMANCE MANAGEMENT .....25

ENCLOSURE 6: DATA COLLECTION, REPORTING, AND INVENTORY OF  
CONTRACTED SERVICES.....26

    GENERAL.....26

    DATA COLLECTION .....26

INVENTORY OF CONTRACTED SERVICES .....27  
REPORTING REQUIREMENTS .....28

ENCLOSURE 7: ACQUISITION CONSIDERATIONS FOR IT SERVICES (INCLUDING IT AS-A-SERVICE).....30

    GENERAL.....30  
    CLINGER COHEN ACT (CCA) COMPLIANCE.....30  
    DoD INFORMATION ENTERPRISE.....32  
    ENTERPRISE IT SERVICES .....32  
    IT SERVICE MANAGEMENT .....32  
    CYBERSECURITY.....32  
    PERSONALLY IDENTIFIABLE INFORMATION .....33  
    CLOUD COMPUTING .....33  
    SECTION 508 - ACCESSIBILITY OF ELECTRONIC AND INFORMATION TECHNOLOGIES FOR INDIVIDUALS WITH DISABILITIES .....34  
    COMMERCIAL CELLULAR SERVICES.....34  
    DoD ENTERPRISE SOFTWARE INITIATIVE.....34

GLOSSARY .....35

    PART I: ABBREVIATIONS AND ACRONYMS .....35  
    PART II: DEFINITIONS.....37

TABLES

    1. Acquisition of Services Categories .....3  
    2. CCA Compliance.....31

FIGURES

    1. Seven Steps to the Service Acquisition Process and Key Deliverables.....4  
    2. Services Acquisition Portfolio Groups .....14  
    3. Functional Domain Expert Structure .....16



ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5134.01, “Under Secretary of Defense for Acquisition, Technology, and Logistics,” December 9, 2005, as amended
- (b) DoD Instruction 5000.02, “Operation of the Defense Acquisition System,” January 7, 2015, as amended
- (c) DoD Directive 5000.01, “The Defense Acquisition System,” May 12, 2003
- (d) Under Secretary of Defense for Acquisition, Technology and Logistics Memorandum, “Taxonomy for the Acquisition of Services and Supplies & Equipment,” August 27, 2012<sup>1</sup>
- (e) Federal Acquisition Regulation (FAR), current edition
- (f) DoD University Affiliated Research Center (UARC) Management Plan, July 2010
- (g) Defense Federal Acquisition Regulation Supplement (DFARS), current edition
- (h) Title 10, United States Code
- (i) Office of Federal Procurement Policy (OFPP) Policy Letter 11-01, “Performance of Inherently Governmental and Critical Functions,” September 12, 2011
- (j) DoD Instruction 1100.22, “Policy and Procedures for Determining Workforce Mix,” April 12, 2010
- (k) Subtitle III, Section 11101 of Title 40, United States Code
- (l) DoD Manual 8910.01, Volume 1, “DoD Information Collections Manual: Procedures for DoD Internal Information Collections,” June 30, 2014, as amended
- (m) DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008
- (n) Defense Acquisition University, “Defense Acquisition Guidebook,” current edition<sup>2</sup>
- (o) DoD Directive 1100.4, “Guidance for Manpower Management,” February 12, 2005
- (p) DoD Instruction 7041.04, “Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support,” July 3, 2013
- (q) National Institute of Standards and Technology Special Publication 800-145, “The NIST Definition of Cloud Computing,” September 2011
- (r) Office of Management and Budget Circular A-11, “Preparation, Submission, and Execution of the Budget,” July 25, 2014
- (s) Department of Defense Information Enterprise Architecture (DoD IEA), Version 2.0, August 10, 2012
- (t) DoD Directive 8000.01, “Management of the Department of Defense Information Enterprise,” March 17, 2009, as amended
- (u) DoD Instruction 8330.01, “Interoperability of Information Technology (IT), Including National Security Systems (NSS),” May 21, 2014
- (v) DoD Instruction 8115.02, “Information Technology Portfolio Management Implementation,” October 30, 2006
- (w) DoD Instruction 8510.01, “Risk Management Framework (RMF) for DoD Information Technology (IT),” March 12, 2014, as amended

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<sup>1</sup> Found at <http://www.acq.osd.mil/dpap/policy/policyvault/USA004219-12-DPAP.pdf>

<sup>2</sup> Found at <https://dap.dau.mil/aphome/Pages/Default.aspx>

- (x) DoD Instruction 8500.01, "Cybersecurity," March 14, 2014
- (y) Committee on National Security Systems Instruction No. 1253, "Security Categorization and Control Selection for National Security Systems," March 27, 2014
- (z) DoD Instruction 5200.44, "Protection of Mission Critical Functions to Achieve Trusted Systems and Networks," November 5, 2012, as amended
- (aa) Section 552a of Title 5, United States Code
- (ab) DoD Directive 5400.11, "DoD Privacy Program," October 29, 2014
- (ac) DoD 5400.11-R, "Department of Defense Privacy Program," May 14, 2007
- (ad) DoD Instruction 5400.16, "DoD Privacy Impact Assessment (PIA) Guidance," July 14, 2015
- (ae) Title 44, United States Code
- (af) Office of Management and Budget Memo M-13-09, "Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management," March 27, 2013
- (ag) White House Memorandum for the Heads of Executive Departments and Agencies "Security Authorization of Information Systems in Cloud Computing Environments," December 8, 2011<sup>3</sup>
- (ah) Chairman of the Joint Chiefs of Staff Instruction 6211.02D, "Defense Information Systems Network (DISN) Responsibilities," January 24, 2012
- (ai) Section 794d of Title 29, United States Code
- (aj) DoD 8400.01-M, "Procedures for Ensuring the Accessibility of Electronic and Information Technology (E&IT) Procured by DoD Organizations," June 3, 2011
- (ak) DoD Chief Information Officer Guidance and Policy Memorandum 12-8430, "Acquiring Commercially Available Software," July 26, 2000
- (al) Department of Defense Information Technology Enterprise Strategy and Roadmap of September 2011<sup>4</sup>
- (am) Office of Management and Budget Memorandum M-03-14, "Reducing Cost and Improving Quality in Federal Purchases of Commercial Software," June 2, 2003
- (an) Office of Management and Budget Memorandum M-04-08, "Maximizing Use of SmartBuy and Avoiding Duplication of Agency Activities with the President's 24 E-Gov Initiatives," February 25, 2004
- (ao) Office of Management and Budget Memorandum M-04-16, "Software Acquisition," July 1, 2004
- (ap) Office of Management and Budget Memorandum M-05-25, "SmartBUY Agreement with Oracle," August 25, 2005
- (aq) Deputy Secretary of Defense Memorandum, "Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment," July 13, 2018

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<sup>3</sup> [http://www.whitehouse.gov/sites/default/files/omb/assets/egov\\_docs/fedrampmemo.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/fedrampmemo.pdf)

<sup>4</sup> [http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed\\_ITESR\\_6SEP11.pdf](http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)

ENCLOSURE 2

RESPONSIBILITIES

1. USD(AT&L). The USD(AT&L):

- a. Establishes policy and provides oversight for the acquisition of contracted services across the DoD.
- b. Serves as the senior official responsible for the management of the acquisition of contracted services for or on behalf of the Defense Agencies and other DoD Components outside the Military Departments, in accordance with section 2330(a)(3) of Reference (h).
- c. Serves as or designates the senior DoD decision authority for the acquisition of contracted services for Defense Agencies and other DoD components outside the Military Departments.
- d. Serves as the senior DoD decision authority for any special interest acquisition as defined in Table 1.
- e. May delegate decision authority to DoD Component heads, or the heads of other appropriate oversight entities, with further delegation permitted, unless otherwise provided in the delegation, to the component acquisition executive as the senior official responsible for the acquisition of contracted services.
- f. Appoints DoD FDEs as the DoD-level leads for each of the service portfolio groups described in Reference (d).

2. DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY (DPAP). Under the authority, direction, and control of the USD(AT&L), the Director, DPAP:

- a. Serves as the staff-level lead for Services Acquisition supporting the USD(AT&L).
- b. Is responsible for all contracting and procurement policy matters for the acquisition of services in the DoD, including e-Business. DPAP executes timely amendments to the DFARS; Procedures, Guidance and Information, Reference (b), and this instruction.
- c. Coordinates (as appropriate) with the FDE regarding the specific portfolio or portfolio group for the acquisition, and with the OSD Office of Small Business Programs on all proposed acquisition of services acquisition strategies.
- d. Coordinates with the DoD CIO for any proposed acquisitions of IT services presented to OSD for review and approval, and with other functional leadership as appropriate.

3. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R):

a. In accordance with section 136 of Reference (h) and DoDD 5124.02 (Reference (m)), has oversight responsibilities over the Total Force Management policies of the DoD, which include contracted services in addition to military (active and reserve) and civilian manpower.

b. In accordance with section 129a of Reference (h), is responsible for the policies and procedures for determining the most appropriate and cost efficient mix of military, civilian, and contractor personnel to execute the DoD mission.

c. In accordance with section 2330a of Reference (h), guides the collection of data regarding functions and missions performed by contractors, the calculation of contractor full-time equivalents for direct labor, and the conduct and completion of the annual reviews of contracted services.

d. In accordance with section 2463 of Reference (h), implements guidelines and procedures pertaining to the in-sourcing of work to government performance that is being performed under contract.

e. Consistent with References (i) and (j), establishes and maintains the policies and procedures for workload alignment and manpower mix, to include criteria for identifying closely associated with inherently governmental and critical functions.

4. DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION (CAPE). The Director, CAPE, establishes policies and procedures for conducting cost estimates and analysis for the acquisition of contracted services.

5. DOD COMPONENT HEADS. The DoD Component heads:

a. Implement the policy and procedures in this instruction within their respective Component. When necessary, waivers or requests for exceptions to the provisions of this instruction will be submitted to the USD(AT&L) or to his or her designee. Statutory requirements cannot be waived unless the statute expressly provides a procedure for the waiver of requirements.

b. Complete review of ICS in accordance with the requirements of section 2330a of Reference (h).

ENCLOSURE 3

OVERSIGHT OF CONTRACTED SERVICES PORTFOLIOS

1. OVERVIEW

a. The DoD will manage services acquisitions in order to improve productivity and efficiency. Requirements will be addressed from an appropriate enterprise-level so that resulting contract awards are aligned with mission, performance, and cost objectives. Portfolio management enables a framework for strategic oversight by the USD(AT&L), coupled with decentralized execution by the DoD Components.

b. Portfolio management requires collection and sharing of data within and across organizations, employing cross-departmental teams, and identification and promulgation of best practices and lessons learned. Collaboration among requiring organizations and contracting activities enables the DoD to leverage its resources and buying power. Portfolio management requires experts who specialize in specific market sectors. Such expertise results in enhanced support to the warfighter by maximizing efficiency and increasing productivity by tailoring management to the unique aspects of the various categories of services. By fostering collaboration, portfolio management:

(1) Improves the transparency of requirements across the DoD.

(2) Reduces the proliferation of redundant business arrangements for acquiring similar services.

(3) Increases awareness of alternative business arrangements that may be better suited to particular needs.

2. PORTFOLIO MANAGEMENT TAXONOMY

a. The DoD portfolio management structure is based on the taxonomy for the acquisition of services, as provided in subpart 237.102-74 of Reference (g).

b. There are 9 portfolio groups assigned for the acquisition of services, as listed in Figure 2. The portfolio groups are overseen through the FDE structure, as described in section 3b of this enclosure, except for the Research and Development and Construction Services portfolio groups. FDEs are not assigned for these two groups because section 2330c of Reference (h) excludes these portfolio group services.

Figure 2. Services Acquisition Portfolio Groups



### 3. KEY PORTFOLIO MANAGEMENT PARTICIPANTS

a. DoD Components. DoD Components will ensure that services are acquired efficiently and with increased productivity by:

(1) Using market research to identify service providers within the marketplace for specific services based upon their demonstrated competencies, performance, and cost competitiveness.

(2) Maximizing small business participation to expand the competitive base of service providers.

(3) Using management controls and business intelligence systems to establish appropriate oversight and sustain situational awareness of services acquisitions.

(4) Ensuring services acquisitions use performance-based requirements to the maximum extent practicable and include identifiable and measurable cost, schedule, and performance outcomes with consideration for quality and delivery.

(5) Enhancing services acquisition planning and coordination by using multi-functional teams.

(6) Identifying potential contract consolidation candidates and coordinating with the appropriate Office of Small Business Programs to ensure compliance with applicable bundling and consolidation policy.

(7) Accomplishing market research to collect information to maximize reliance on the commercial marketplace and to benefit from its capabilities, technologies, and competitive forces to fulfill the DoD's needs.

b. FDEs. There will be FDEs designated for each of the service sectors defined in Better Buying Power (BBP) 1.0.

(1) The OSD Component head concerned will designate an individual within his or her OSD Office or a Defense Agency or DoD Field Activity under his or her authority, direction, and control, as FDEs for Services Acquisition Management as set forth in Figure 3.

(2) When a service sector not listed is added as part of BBP initiatives, USD(AT&L), may designate an individual within the Office of the USD(AT&L) or a Defense Agency or DoD Field Activity under his or her authority, direction, and control, and may request the head of the OSD Component head concerned to designate an individual to serve as the FDE for that new service sector.

(3) Each FDE serves as the DoD-level lead reporting through his or her Component head to USD(AT&L) (see Figure 3) for his or her respective service portfolio group, as defined in subpart 237.102-74 of Reference (g). Consistent with relevant DoD policies, including policies issued by USD(AT&L), FDEs will collaborate to define common processes across the Department for services acquisition and metrics to be utilized for documenting trends in the acquisition of services. The FDE provides strategic portfolio management overseeing the life-cycle process of services acquisition in his or her portfolio by:

(a) Providing strategic leadership of the domain to improve planning, execution, and collaboration to achieve greater efficiency and reduce costs.

(b) Ensuring that processes are in place to monitor post-award performance.

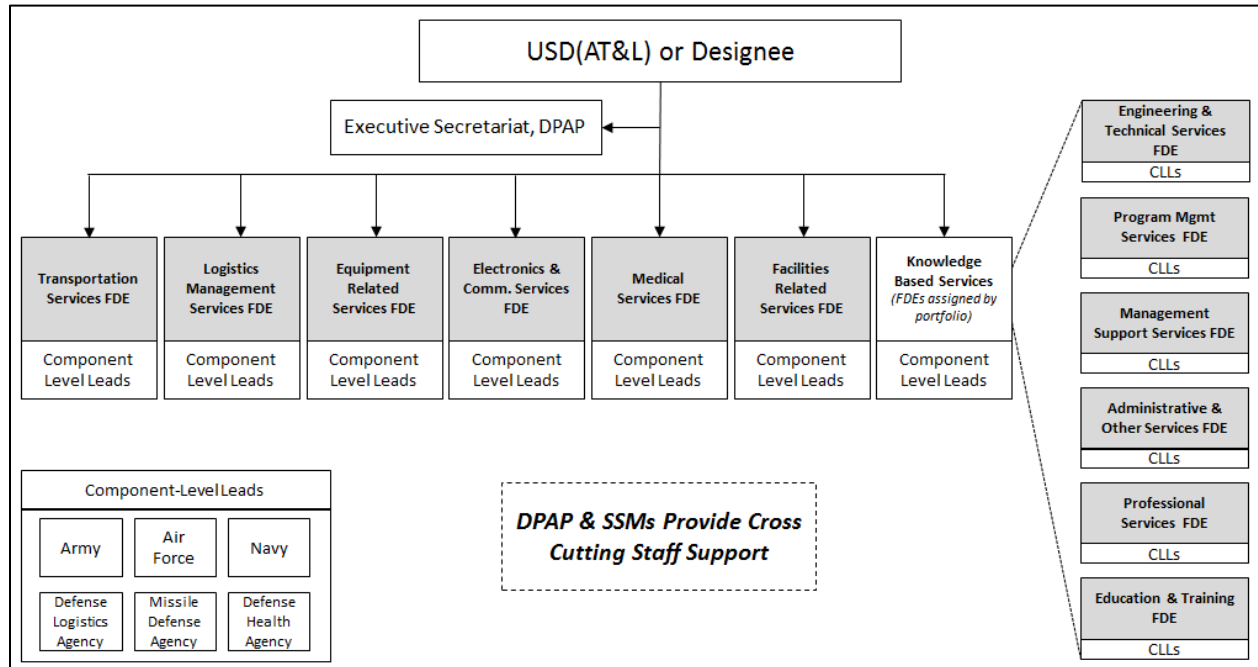
(c) Identifying and sharing portfolio group best practices, leveraging small business capabilities, and employing lessons-learned to improve the acquisition and management of services across their respective service categories.

(d) Developing appropriate metrics to track cost and performance of contracted services within the portfolio group in order to leverage best practices, reduce redundant business arrangements, identify trends, and develop year-to-year comparisons to improve the efficiency and effectiveness of contracted services.

(e) Identifying opportunities for strategic sourcing across the services portfolio group or portfolio category.

(f) Making policy recommendations to USD(AT&L) to improve efficiency and productivity of services acquisitions.

Figure 3. Functional Domain Expert Structure



c. CLLs. CLLs are senior functional leaders within the DoD Component functional communities aligned within the FDE structure, whose role is to support the strategic management and leadership of portfolio groups across the DoD Component. CLLs' leadership will be critical to improving the acquisition of services by:

(1) Improving planning, execution, and collaboration to achieve greater efficiency and reduce costs within their functional domains.

(2) Supporting a robust requirements development, validation, and approval process to ensure that the DoD contracts for the most appropriate and efficient level of services needed to meet mission requirements. CLLs also should consider total force mix capabilities during the development process.

(3) Sharing best practices and lessons learned within the CLL network across the various DoD Components to collectively improve the efficiency and effectiveness of contracted services within each functional domain.

(4) Using portfolio metrics and data to effectively monitor cost and post-award performance to improve the efficiency and effectiveness of the CLLs' contracted services.

(5) Promoting the training and development of program managers (PMs), functional service managers (FSMs), and functional and requirements personnel tasked to support the acquisition of services.



(6) Ensuring that “should cost” management is implemented in the portfolio. Contracted services managers are responsible for identifying cost reduction opportunities, establishing targets below “will cost” estimates that are the basis for budgeting, and pursuing those opportunities. Cost savings resulting from “should cost” successes will remain in the component for application to higher component priorities.

ENCLOSURE 4

KEY SERVICES ACQUISITION MANAGEMENT ROLES AND RESPONSIBILITIES

1. PURPOSE. This section describes roles and responsibilities applicable to SSMs, PMs, and FSMs.

2. ACQUISITION CHAIN OF COMMAND. The acquisition authority chain of command for services acquisitions runs upward from the PM or FSM to the designated decision authority for the S-CAT and ends with the Service or Component Acquisition Executive. For all special interest requirements, and S-CAT I acquisitions outside of the Military Departments, the USD(AT&L) or designee is the decision authority in the acquisition chain of command. Staff and other organizations and stakeholders provide support to this program management chain of command, which is responsible for the execution of the services acquisition.

a. Service Acquisition Executives (SAEs). The SAE of each Military Department under the authority, direction, and control of the Secretaries of each Military Department, will be the senior official responsible for the management of acquisition of contracted services for and on behalf of the Military Department, with further delegation to the senior procurement executives.

b. Component Acquisition Executives (CAEs). The CAE of each DoD Component under the authority, direction, and control of each Component head, will be the senior official responsible for the management of acquisition of contracted services for and on behalf of his or her respective Component. Each CAE will exercise decision authority as delegated from the agency head or from the USD(AT&L).

3. SSMs. SSMs are the services acquisition experts and decision authorities under the authority, direction, and control of the Secretaries of each Military Department or their Component head, responsible for the planning, strategic sourcing, execution, and management of acquisitions of contracted services. SSMs establish appropriate management structures and processes to ensure effective implementation and execution of the acquisition of services using this instruction. SSMs and their designated decision authorities across the service categories outlined at Table 1, should identify, forecast, and track pending requirements. Specifically, SSMs will work with their portfolio-specific commodity managers (PSCMs) and requiring organization leadership to:

a. Develop processes for the effective management, planning, and execution of services acquisitions within their Military Department or Component.

b. Develop processes to implement Services Requirements Review Boards (SRRBs) ensuring requirements are reviewed, validated, and approved, verifying need and appropriate level of service. This is a critically important process that supports minimum service needs and prioritizes service requirements to identify opportunities and efficiencies. Savings may be realized through reduction in service delivery levels, outright cancellation to bring service

requirements in-house in accordance with section 2463 of Reference (h), or elimination of the service altogether to fund higher-priority service requirements.

c. Identify opportunities for strategic sourcing to reduce contract duplication, increase socio-economic participation, and increase overall acquisition efficiencies.

d. Develop services forecasting tools to predict requirement renewals and new requirements to support early acquisition planning, budget development, and requirements approval.

e. Support acquisition strategy and peer review process for contracted services acquisitions of \$1 billion or more (\$500 million for non-competitive acquisitions).

f. As needed, review, develop, and use data and metrics to support strategic management decisions and documenting business trends and costs in the acquisition of services.

g. Strategically manage each portfolio group with their respective CLLs by sharing DoD Component processes, metrics, best practices, lessons-learned, and data to achieve the efficient and effective execution of service contract requirements within that portfolio.

h. Support various reporting requirements as outlined in Enclosure 6.

i. Support training and development of the acquisition workforce tasked to support the acquisition of services.

j. Appoint PSCMs who support the efforts of the SSMs and requiring activities to ensure effective management for services acquisitions within a specific portfolio, pursuant to section 2330(a)(3)(c) of Reference (h). PSCMs will serve as staff assistants to the SSM with responsibility to:

(1) Assist requiring activities and contracting activities to effectively and efficiently fulfill user requirements for the acquisition of services.

(2) Coordinate within their respective organizations and across DoD to identify services acquisitions within assigned portfolios.

(3) Research and recommend opportunities to improve efficiency and productivity within their assigned portfolios.

(4) Compile government and industry performance results, best practices, lessons learned, and market research for the acquisition of services.

(5) Assist requiring activities by distributing tools and templates to improve the development of services acquisition requirements and associated documentation. Samples of such tools and templates are available at the DAU Service Acquisition Mall website at <http://sam.dau.mil> and include the Acquisition Requirements Roadmap Tool (ARRT).

(6) Conduct periodic analysis of the Department's spending to gain insight and enable fact-based strategic decisions pertaining to services acquisition. PSCMs use services acquisitions data to identify active services acquisitions within their assigned portfolios. The PSCM should participate in peer reviews and other reviews of services acquisitions.

(7) Ensure "should cost" is applied to portfolio services acquisitions.

4. PM or FSM. The PM or FSM exercises discretion and uses prudent business judgment to manage risk and structure a tailored, responsive, and efficient services acquisition program. To achieve this, the PM or FSM should lead the multi-functional team through the Seven Steps to the Service Acquisition Process, as described in the Defense Acquisition Guidebook (Reference (n)), to ensure that the best source is selected 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 "should cost" goals.

a. Decision authority or designee, as outlined in Table 1, will ensure that qualified acquisition PMs or FSMs oversee planning and execution of individual service requirements with a total estimated contract value of \$100 million or more. The decision authority will determine the need for a certified PM based on the risk or complexity of the acquisition. Certified PMs will be trained in accordance with sections 1701-1764 of Reference (h).

b. Decision authority or designee, as outlined in Table 1, will ensure that qualified PMs or FSMs are appointed to oversee individual service requirements valued at less than \$100 million. In the absence of a certified PM, an FSM with domain expertise for a given service requirement will exercise program management responsibilities. FSMs are vital to the effective management and execution of service requirements below \$100 million. FSMs should have in-depth knowledge of the requirement being considered for contractor support. This will include at least 2 years' experience managing, supporting, or leading contractor or government performance of work of the same scope and nature as the proposed requirement.

c. The PM or FSM will be the lead for developing, coordinating, and resourcing the requirement and overseeing it throughout the acquisition process. Consistent with this instruction, the cognizant PM or FSM exercises discretion and prudent business judgment to structure a tailored, responsive, and efficient services acquisition program.

d. The PM or FSM leading the multifunctional team (MFT) should use the Seven Steps to the Service Acquisition Process (with any appropriate tailoring) located under the Service Acquisition Mall tab at <http://sam.dau.mil> and as described in Reference (n).

e. The PM, FSM, or other personnel assigned to lead the MFT should understand the costs that are related to the services that their respective component is acquiring and establish "should cost" expectations. The representative must apply an accurate IGCE outlining these discrete costs within the overall service requirement, coupled with effective market research and a thorough screening of the requirement against the anticipated costs of the proposed services to ensure an effective trade-off is made during the SRRB process between mission needs, cost, and

affordability. This ensures that only the highest-priority services describing well-defined mission requirements will be approved for acquisition.

f. Costs of labor skill mix and categories, service levels, frequency of performance, and dictated quality levels should be considered when developing a requirement to meet mission needs. Discrete costs of that next level of service, or next-higher labor category, must be weighed against mission needs and budget constraints to ensure that the service to be acquired represents the best value to the government and meets mission requirements.

ENCLOSURE 5

SERVICES ACQUISITIONS REQUIREMENTS DEVELOPMENT, VALIDATION, AND OVERSIGHT

1. GENERAL. Defining requirements is a challenging but essential prerequisite in achieving desired services acquisition outcomes. This enclosure establishes an SRRB process for developing, analyzing, reviewing, and validating requirements for the acquisition of services, pursuant to section 2330 of Reference (h).

2. SERVICES ACQUISITION MANAGEMENT OVERSIGHT

a. All DoD services acquisitions are categorized into five categories (S-CATs I through V, Table 1). These services are categorized based on total estimated dollar value (base plus option years) in current-year dollars from the IGCE. The S-CATs then identify a decision authority for that category and whether the authority is delegable. (See Table 1 for S-CAT thresholds.)

b. The decision authority or designee listed in Table 1 will be responsible for the review and approval of the acquisition strategy, as well as for the effectiveness of the services acquisition process by ensuring all required reviews are conducted (e.g., OSD, Component).

c. A requirements development and review process informed by current and accurate mission needs, cost analysis for anticipated quality levels, and market research, is critical to the final cost, schedule, and performance of the service. To facilitate this review, an SRRB process will be used for services acquisition at or above \$10 million annually. The SRRB should review, validate, prioritize, and approve services requirements to accurately inform the budget and acquisition processes. Requirements approval should be obtained from the assigned SRRB chair before the initiation of any acquisition action unless otherwise directed by the decision authority. Requirements validation is not necessary for exercising contract options that were previously considered and approved by the SRRB.

d. DoD Components should have similar procedures established for requirements review, validation, and approval processes for acquisitions of services with an estimated total value at or above the SAT, but less than \$10 million.

3. SRRB PROCESS. Requirements must be validated by the appropriate requiring activity authority as SRRB chair, often, but not always, the customer (in accordance with DoD Component procedures), before the approval of the acquisition strategy. The seniority of the SRRB authority will be commensurate with the complexity, contract value, and performance risk associated with the services requirement. The SRRB will:

a. Increase visibility of, and collaboration on, services requirements among all stakeholders.

- b. Validate requirements before a contract is awarded.
- c. Provide for prioritization of services requirements to support funding decisions.
- d. Increase collaboration among stakeholders on key strategy decisions to optimize services acquisitions and enable efficiencies.
- e. Foster proactive management by the Components for services acquisitions.

#### 4. SRRB CONSIDERATIONS

a. SRRBs provide a process for assessing, reviewing, and validating services requirements by senior leaders. Requirements reviews should include (with appropriate tailoring), but not be limited to:

(1) Mission Need. Explanation of the mission need for the requirement and the outcomes to be achieved from acquiring services.

(2) Workforce Analysis. How the requirement is being and was previously satisfied, including why it cannot be fulfilled with military or civilian personnel. Coordination with the Component Manpower and Personnel officials should be done in accordance with DODD 1100.4 (Reference (o)). The analysis should also take into consideration guidance outlined in Reference (j) and DoDI 7041.04 (Reference (p)).

(3) Strategic Alignment. How the requirement for services supports the broader organizational mission.

(4) Relationship to Other Requirements. How the requirement for services impacts other requirements of the Component (positively or negatively). For IT services, see Enclosure 7 to ensure requirements are consistent with enterprise IT strategies.

(5) Prioritization. A determination as to whether the requirement for services is a lower priority requirement that can be reduced or eliminated with savings transferred to higher priority objectives or mission requirements.

(6) Market Research. The nature and extent of market research conducted, including any applicable benefit analysis performed for bundling or consolidation.

b. Requirements approval should be obtained from the SRRB chair before any acquisition action is initiated, unless directed otherwise by the decision authority. SRRB approval will be documented in the acquisition plan.

#### 5. MFTs

a. The officials responsible for ensuring the fulfillment of the service contracts requirements are critical participants. Acquisition officials must engage with these officials early in the MFT formation process to ensure that the MFT supporting the requirement has sufficient training to execute the services acquisition.

b. The MFT assembled to develop the requirements should be comprised of individuals with various critical functional skills, and may be unique to an acquisition. The PM or FSM assigned to that service requirement will lead the MFT. The MFT will include a member with personnel and manpower responsibilities.

c. The project leadership should leverage the tools and checklists outlined in Figure 1 (Step 4, Requirements Definition) and the ARRT provided under the Service Acquisition Mall tab at <http://sam.dau.mil>. These tools should be used to the maximum extent practical for the development of performance-based requirements following the Requirements Roadmap process.

d. MFTs that support acquisition of services contract requirements valued at \$1 billion or more will participate in a services acquisition workshop (SAW) or a program conducted using certified SAW facilitators and approved by the Director, DPAP, before seeking acquisition strategy approval. Waivers for participating in an SAW must be approved by the Director, DPAP. Senior officials are strongly recommended to consider applying the requirement for SAWs to services acquisitions valued at \$100 million or more.

6. SUBMISSION OF ACQUISITION STRATEGIES TO OSD FOR REVIEW AND APPROVAL. The senior official of the organization concerned must, before the final solicitation is issued (or, for other than full and open competition, before negotiations begin), submit to the Director, DPAP, the acquisition strategy document for any proposed acquisition of services for which the USD(AT&L) or designee is the decision authority.

a. The USD(AT&L) or designee will review the proposed acquisition strategy document within 30 days after receipt. The review criteria and tenets are addressed in subpart 237.102-76 of Reference (g).

b. Issues arising from the review must be resolved in accordance with procedures specified by the USD(AT&L) in direct coordination with the originating senior official.

c. After completion of the review and resolution of any issues, the result will be either approval or disapproval of the acquisition strategy.

d. The review and approval process for the acquisition strategy will precede the peer review of the request for proposal in accordance with paragraph 7a of this enclosure.

## 7. PEER REVIEWS



a. In accordance with subpart 201.170 of Reference (g), the Director, DPAP, will conduct peer reviews for all service acquisitions with an estimated value of \$1 billion or more (including options) or \$500 million for non-competitive acquisitions. The Office of the Director, DPAP, will organize teams of reviewers and facilitate peer reviews for solicitations and awards.

b. DoD Components Acquisition Executives will establish their own procedures to conduct peer reviews for contracts valued at less than \$1 billion.

8. IT SERVICES. For IT services, use the guidance provided in Enclosure 7.

9. PERFORMANCE MANAGEMENT

a. DoD Components will employ performance management metrics and tripwires to the maximum extent practical to signal areas of potential risk (e.g., performance, cost, schedule, fraud) to the DoD. Performance metrics or tripwires are not intended to restrict execution, but instead to alert and require higher-level awareness and action to remedy potential cost, schedule, or performance issues.

b. Specific metrics and tripwires can be tailored to the specific needs of the government customer for the service and the requirement. However, the metrics or tripwires must track and measure performance effectively, support and inform acquisition planning for new contracts, contract renewals, and contract re-competes, and be considered during the SRRB review and approval process.

ENCLOSURE 6

DATA COLLECTION, REPORTING, AND INVENTORY OF CONTRACTED SERVICES

1. GENERAL

a. This enclosure establishes data collection requirements and reporting requirements to support annual updates to the senior officials and FDEs that will, in turn, support the Annual DoD Services Acquisition Report and the annual reporting requirements under the ICS, pursuant to section 2330a of Reference (h). The USD(AT&L) and the USD(P&R) will issue annual guidance regarding the collection and submission of the ICS.

b. This enclosure's guidance applies to all requirements, regardless of dollar value, for the purposes of data collection and reporting of total contract spending within product and service codes relevant to the service portfolios outlined in Enclosure 3.

2. DATA COLLECTION. DoD Components will establish procedures to collect acquisition of contracted services data. Collection of the data, described in paragraphs 2a-o of this enclosure, will be automated, as it is either already captured in DoD's standard procurement data systems or reported under the requirements of the annual ICS:

a. Acquisition and financial management procedures and systems must ensure that all purchase requests (PRs) for requirements to be fulfilled under service contracts include a four-digit product service code (PSC) at the contract line item level of detail. The requiring activities in collaboration with the contracting activities will assign PSCs for each PR line item so that the PSC can be linked at the point of commitment to the object class recorded in the accounting system. Once established in PRs, PSCs must then be made available to, and captured in, the accounting system at the point of obligation to enable linkage of contracting with financial data.

b. The total price or total estimated value of the contract, task order, or interdepartmental PR, to include base year(s) and options.

c. The total dollar amount obligated to date on the contract.

d. The type of contract awarded (e.g., firm fixed price (FFP), cost plus fixed fee, time and materials, or indefinite delivery, indefinite quantity contract).

e. Whether the contract award was:

(1) A performance-based contract, performance-based task order, or other performance-based arrangement that contains FFPs for the specific tasks to be performed; or

(2) Any contract, task order, or other arrangement that is not performance-based.

f. The identity of the agency that made the contract award, if the award was made on behalf of the DoD pursuant to an interagency agreement under the Economy Act or in accordance with an intra-agency agreement in accordance with Component procedures.

g. The extent of competition in making the contract award and the number of offerors.

h. Whether the contract award was made to:

(1) A small business concern;

(2) A small business concern owned and controlled by socially and economically disadvantaged individuals;

(3) A small business concern owned and controlled by women;

(4) A small business concern owned and controlled by a veteran;

(5) A small business concern owned and controlled by a service-disabled veteran; or

(6) A small business concern certified by the Small Business Administration as a historically underused business zone concern.

i. The functions and missions performed by the contractor under the services contract awarded.

j. The contracting organization, and the customer organization whose requirements are being met through contractor performance of this function.

k. A determination of whether the contract is a personal services contract and, if so, the statutory authority for entering into such a contract.

l. Identification of contracts under which critical functions or functions closely associated with inherently governmental functions are being performed.

m. The funding source, by appropriation and operating agency.

n. The fiscal year for which the activity first appeared on the ICS requirements.

o. Direct labor hours and associated costs from contractors to calculate contractor full time equivalents (CFTE).

### 3. INVENTORY OF CONTRACTED SERVICES

a. DoD Components will submit an annual ICS. The inventory and associated review are to be used to inform acquisition planning and workforce-shaping decisions, and includes

programming and budgetary matters as well as requests to realign work from contractor to military or civilian performance, as appropriate.

b. DoD Components will use the Enterprise-wide Contractor Manpower Reporting Application to compile their annual inventory of services. DPAP will provide a certified data set from the FPDS-NG annually, no later than February of each year. FPDS-NG data should be used to cross-check against the data fields compiled by DoD Components for their inventory.

c. Detailed guidance for reporting the functions and mission for the ICS will be issued annually by USD(AT&L) and USD(P&R) consistent with the requirements of section 2330a of Reference (h).

#### 4. REPORTING REQUIREMENTS

a. Reporting Frequency. FDEs and their leadership teams will provide the USD(AT&L) semi-annual updates. The updates will review implementation of the strategic management processes and framework to lead, manage, and support the effective and efficient acquisition of services. Suggested update content is outlined in paragraph b of this section. FDEs will recommend specific portfolio data content to the USD(AT&L) for approval.

b. Contents of FDE Annual Services Update. Contents should include, but are not limited to:

(1) Portfolio spend data, demographic data, and metrics used to track performance and identify areas for process improvement within the portfolio.

(2) DoD Component requirements forecasts. SSMs will recommend the reporting and data requirements for their DoD Component in order to predict upcoming service requirements to allow sufficient time for planning and execution. For S-CATs I and II, these forecasts will be provided to the FDEs, as requested, to oversee their portfolio. The report should include:

- (a) PSC.
- (b) PSC description.
- (c) Total dollar value.
- (d) Appropriation.
- (e) Year of appropriation.
- (f) Line of accounting (if available).
- (g) A brief description of the requirement.
- (h) An estimated start date of the acquisition.

- (i) An estimated award date.
- (3) Discussion of best practices or lessons learned that were implemented during contract performance or that are currently being reviewed for process implementation that contributed or will contribute to improved effectiveness, efficiency, or cost savings.
- (4) Significant trends or findings relevant to post-award administration and tripwires.
- (5) Recommendations, if any, for policy or guidance to improve DoD-wide management of services acquisitions.

ENCLOSURE 7

ACQUISITION CONSIDERATIONS FOR IT WITHIN SERVICES (INCLUDING IT AS-A-SERVICE)

1. GENERAL. The use of IT has become widespread, whether as a direct outcome or as an enabler of services. This enclosure identifies IT considerations in the acquisition of IT services. IT services 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 include the performance of any work related to IT and the operation of IT, including National Security Systems. 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 (Reference (q)). The appropriate decision authority (as outlined in Table 1), in consultation with the PM and DoD Component CIO, or their designee, will determine whether an investment in IT services will be managed under this instruction or Reference (b). If a proposed IT service is expected to achieve the threshold for a Major Automated Information System in accordance with section 2445a of Reference (h) or a Major Defense Acquisition Program in accordance with section 2430 of Reference (h), the decision authority will be the USD(AT&L) or their designee and the program will be managed under Reference (b). This determination applies to the initial acquisition of IT, the incremental delivery of additional capability, and the technical refreshment of existing systems across the system lifecycle. The acquisition strategy, contracts, and service-level agreements will include the appropriate statutory and regulatory requirements for IT.

2. CLINGER COHEN ACT (CCA) COMPLIANCE. CCA compliance applies to all IT services.

a. The decision authority will not approve the acquisition of IT services; and DoD Components will not award a contract for IT services until the PM or FSM has satisfied the applicable requirements of the CCA. CCA compliance actions must be executed and certified at the beginning of each effort (program or otherwise), and again when changes to the acquisition strategy would invalidate the previous compliance conditions. However, CCA compliance need not, and often should not, be certified separately for each contract in an effort. For example, the help desk support contract when an IT program reaches the sustainment phase would not require a separate CCA certification. Related contracts should be grouped together for CCA purposes.

b. The PM or FSM will use the requirements identified in Table 2 to ensure the IT services comply with the CCA. The documents listed represent the most likely – though not the only – references for the required information. Major IT investments that submit an Office of Management and Budget (OMB) Exhibit 300 or are described in the Component’s Exhibit 53 describe compliance to some CCA requirements in these submissions, in accordance with OMB Circular A-11 (Reference (r)).

Table 2. CCA Compliance

Actions Required to Comply with the CCA	Applicable IT Services Documentation
Determine that the acquisition supports core, priority functions of the DoD.	Business Case Analysis (BCA); OMB 53
Establish outcome-based performance measures linked to strategic goals.	Performance Work Statement (PWS); Statement of Objectives
Redesign the processes that the service supports to reduce costs, improve effectiveness, and maximize the use of commercial off-the-shelf technology.	BCA
Where comparable IT services exist in public or private sectors, qualitatively benchmark performance against those IT services in terms of cost and performance.	BCA
Determine that no private sector or government source can better support the function.	Acquisition Strategy
Conduct an analysis of alternatives.	BCA; OMB 300
Conduct an economic analysis that includes a calculation of the return on investment; or, for non-Information Systems, conduct a life-cycle cost estimate.	BCA
Develop clearly established measures and accountability for the IT service.	Quality Assurance Surveillance Plan; Acquisition Strategy; OMB 300
Ensure that the IT service is consistent with the DoD Information Enterprise policies and architecture, to include relevant standards.	Acquisition Plan; PWS
Ensure that the IT service has cybersecurity requirements that are consistent with DoD policies, standards, and architectures, to include relevant standards.	Acquisition Strategy, cybersecurity planning for contracts or service-level agreements; PWS
To the maximum extent practical, ensure that IT services are incrementally contracted to manage risk and incorporate commercial IT capabilities in a timely manner.	Acquisition Strategy; OMB 300

3. DoD INFORMATION ENTERPRISE

a. IT capabilities that are acquired or provided as a service must align to the DoD's Information Enterprise and the Joint Information Environment. Alignment includes complying with the:

- (1) DoD Information Enterprise Architecture.
- (2) DoD-wide reference and solution architectures.

(3) Applicable mission area and DoD Component architectures, in addition to the Defense Information Enterprise Architecture and DoDD 8000.01 (References (s) and (t)).

b. Acquisition planning for IT services should focus on maximizing the ability to seamlessly integrate and interoperate, based on operational context, with existing and planned IT systems and services in accordance with DoDI 8330.01 (Reference (u)) and conform to the DoD Capital Planning and Investment Control process as described in DoDI 8115.02 (Reference (v)).

4. ENTERPRISE IT SERVICES. DoD CIO-designated Enterprise IT services provide a common capability to DoD and will not be duplicated without approval from the DoD CIO. To the maximum extent practical, the PM or FSM should leverage existing IT services that may be shared within and among DoD Components and among federal government agencies. Market research and the acquisition plan should describe the extent to which IT services can be shared and, if applicable, include the scope of implementation for Enterprise IT services. IT services covered by this section include contracts for labor and contracts for services that process, store, or transmit DoD information. Most of the requirements in this enclosure, as will be indicated, are applicable only to the portions of these contracts that provide services that process, store, or transmit DoD information.

5. IT SERVICE MANAGEMENT. The consistent management and effective measurement of IT services will improve service quality and IT service management capability, and provide objective data needed for IT service investment decisions. All IT services must be managed in alignment with the Defense Enterprise Service Management Framework.

6. CYBERSECURITY. All IT services that receive, process, store, display, or transmit DoD information will be acquired, configured, operated, maintained, and disposed of consistent with applicable DoD cybersecurity policies, standards, and architectures. Cybersecurity of IT services is managed by:

a. Integrating the risk management framework steps and activities outlined in DoDI 8510.01 (Reference (w)) into the DoD acquisition of services process from the beginning, which reduces subsequent changes to security controls requirements after the contract award. Contracts and service-level agreements must describe the required security controls along with the roles and



responsibilities between the service provider, PM, and network operations entities for the continuous monitoring of the IT services cybersecurity status. Solicitations will include sufficient information to evaluate each offeror's proposed approach to satisfy the security control requirements.

b. Ensuring all services that include IT capabilities have appropriate protection for the confidentiality, integrity, and availability needs of the information and mission. IT services will be protected and governed under the DoD cybersecurity program in accordance with DoDI 8500.01 (Reference (x)). PMs or FSMs of IT services will categorize the relevant information in accordance with Committee on National Security Systems Instruction No. 1253 (Reference (y)) to determine an associated security control baseline, and include the security control baseline in solicitations to communicate protection requirements.

c. Implementing trusted systems and networks practices and procedures to identify and protect mission-critical functions and components and manage risks to the integrity of critical information and communications technology, if the IT service is or supports a National Security System or other applicable system pursuant to DoDI 5200.44 (Reference (z)). Such processes and best practices will be applied early and across the system development lifecycle and integrated into service-level agreements and contracts, as appropriate.

7. PERSONALLY IDENTIFIABLE INFORMATION. IT services that collect, maintain, use, or disseminate personally identifiable information must be managed in a manner that protects privacy, in accordance with section 552a of Title 5, U.S.C. (Reference (aa)), DoD 5400.11 (Reference (ab)) and DoD 5400.11-R (Reference (ac)). DoDI 5400.16 (Reference (ad)) established the guidance for development, review, and approval of Privacy Impact Assessments, in accordance with chapter 36 of Title 44, U.S.C. (Reference (ae)).

8. CLOUD COMPUTING. Cloud computing services provided by the DoD or commercial service providers can deliver more efficient IT services than traditional approaches and will be used when cost effective and secure.

a. PMs or FSMs must analyze cloud computing options and report cloud service usage and funding investments through the submission of OMB Exhibit 53 in accordance with OMB Memo Reference (r) and the Office of Management and Budget Memo M-13-09 (Reference (af)). PMs or FSMs will consider using cloud computing services based on mission requirements, BCA, data risk assessments, and mission risk assessments.

b. PMs or FSMs must implement any cloud computing services in accordance with DISA-provided Cloud Computing Security Requirements Guide (SRG) found at [http://iase.disa.mil/cloud\\_security/Pages/index.aspx](http://iase.disa.mil/cloud_security/Pages/index.aspx). Prior to contract award, all commercially provided cloud services must have a DoD Provisional Authorization granted by DISA. Prior to operational use, all cloud services must have an Authority to Operate granted by the PM/FSM's Authorizing Official. PMs/FSMs that acquire or use cloud services remain responsible for ensuring that end to end security and computer network defense requirements are met.

c. Commercial cloud services hosting controlled unclassified information or non-publicly releasable information outside of the Department's security boundary must be connected to the Department of Defense Information Network (DODIN) through a Cloud Access Point that has been approved by the Information Security Risk Management Committee and the DoD CIO, in accordance with connection approvals in the Chairman of the Joint Chiefs of Staff Instruction 6211.02D (Reference (ah)).

9. SECTION 508 - ACCESSIBILITY OF ELECTRONIC AND INFORMATION TECHNOLOGIES FOR INDIVIDUALS WITH DISABILITIES. PMs will ensure IT services used by the DoD will allow persons with disabilities access to information comparable to the access afforded persons without disabilities, in accordance with section 794d of Title 29, U.S.C., (also known as section 508 of the Rehabilitation Act) (Reference (ai)). For exceptions to section 508 compliance, refer to DoD Manual 8400.01-M (Reference (aj)).

10. COMMERCIAL CELLULAR SERVICES. IT services for commercial mobile device carrier services (e.g., mobile voice and data via cellular) will be consolidated to the greatest extent practical. DoD and government-wide acquisition contracts are preferred to promote the efficient use of government resources.

11. DoD ENTERPRISE SOFTWARE INITIATIVE. When acquiring commercial IT, PMs or FSMs must consider the DoD Enterprise Software Initiative, Federal Strategic Sourcing Initiative procurement vehicles, DoD-wide joint enterprise license agreements, and Defense Component-level Enterprise Software Licenses. Instructions and additional detail can be found in subpart 208.74 of Reference (g); the DoD Chief Information Officer Guidance and Policy Memorandum 12-8430 (Reference (ak)); the Department of Defense Information Technology Enterprise Strategy and Roadmap of October 2011 (Reference (al)); OMB Policy Memorandums M-03-14, M-04-08, M-04-16, and M-05-25 (References (am), (an), (ao), and (ap)), and the DoD Enterprise Software Initiative website at <http://www.esi.mil>.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

The DAU glossary of acquisition terms and acronyms will be used for this instruction. DAU will maintain the glossary, and terms/acronyms can be found at the following website: <https://dap.dau.mil/glossary/Pages/Default.aspx>.

A&AS	Advisory & Assistance Services
ARRT	Acquisition Requirements Roadmap Tool
BCA	business case analysis
CAE	Component Acquisition Executive
CCA	Clinger Cohen Act
CFTE	contractor full-time equivalent
CIO	chief information officer
CLL	Component Level Lead
DFARS	Defense Federal Acquisition Regulation Supplement
DISN	Defense Information Systems Network
DoDD	Department of Defense Directive
DoDI	Department of Defense Instruction
DODIN	Department of Defense Information Network
DPAP	Defense Procurement and Acquisition Policy
E&IT	Electronic and Information Technology
ESI	Enterprise Software Initiative
FAR	Federal Acquisition Regulation
FDE	Functional Domain Expert
FFP	firm fixed price
FFRDC	Federally Funded Research and Development Center
FPDS-NG	Federal Procurement Data System – Next Generation
FSM	Functional Service Manager

ICS	Inventory of Contracted Services
IEA	Information Enterprise Architecture
IGCE	Independent Government Cost Estimate
IT	information technology
KBS	knowledge-based services
MFIPT	multi-functional integrated process team
MFT	multifunctional team
NSS	National Security Systems
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSBP	Office of Small Business Programs
PIA	Privacy Impact Assessment
PSC	product service code
PM	Program Manager
PR	purchase request
PSCM	Portfolio-Specific Commodity Manager
PWS	performance work statement
RMF	Risk Management Framework
SAE	Service Acquisition Executive
SAT	simplified acquisition threshold
SAW	Services Acquisition Workshop
S-CAT	Service Acquisition Category
SRG	Security Requirements Guide
SRRB	Services Requirements Review Board
SSM	Senior Services Manager
UARC	University Affiliated Research Center
U.S.C.	United States Code
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

USD(P&R) Under Secretary of Defense for Personnel and Readiness

## PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this instruction.

acquisition value. The total price or total estimated cost of the contract or task order, including the base period and all options.

Advisory & Assistance Services (A&AS). Pertains to the details provided under contract by nongovernmental sources to support or improve organizational policy development, decision-making, management and administration, program and/or project management and administration, or R&D activities. It can also involve the furnishing of professional advice or assistance rendered to improve the effectiveness of federal management processes or procedures, including those of an engineering and technical nature.

Automated Requirements Roadmap Tool (ARRT). An automated job assistance tool used to write performance-based requirements following the requirements roadmap process as outlined at the Service Acquisition Mall tab on Reference (i).

bundling.

1. Consolidating two or more requirements for supplies or services, previously provided or performed under separate smaller contracts, into a solicitation for a single contract that is likely to be unsuitable for award to a small business concern due to:
  - a. The diversity, size, or specialized nature of the elements of the performance specified;
  - b. The aggregate dollar value of the anticipated award;
  - c. The geographical dispersion of the contract performance sites; or
  - d. Any combination of the factors described in paragraphs 1a-c of this definition.
2. "Separate smaller contract," as used in this definition, means a contract that has been performed by one or more small business concerns or that was suitable for award to one or more small business concerns.
3. "Single contract," as used in this definition, includes:
  - a. Multiple awards of indefinite-quantity contracts under a single solicitation for the same or similar supplies or services to two or more sources (see FAR 16.504(c)); and
  - b. An order placed against an indefinite quantity contract under a:

(1) Federal Supply Schedule contract; or

(2) Task-order contract or delivery-order contract awarded by another agency (i.e., government-wide acquisition contract or multi-agency contract).

4. This definition does not apply to a contract that will be awarded and performed entirely outside of the United States.

Contractor Full-Time Equivalent (CFTE). A standard measure of labor that equates to 1 year of full-time work (total labor hours as defined in Reference (q)) to support a mission requirement.

decision authority. The individual responsible for ensuring that a proposed services acquisition is consistent with DoD's policies, procedures, and best practices guidelines for the acquisition of services through approval of the acquisition strategy.

Functional Domain Expert (FDE). OSD-level official who serves as the DoD-level staff lead for his or her respective service portfolio group, reporting to USD(AT&L). Each FDE is responsible for actively overseeing and improving the lifecycle processes of services acquisitions within his or her service portfolio group.

Functional Services Manager (FSM). In the absence of a Defense-Acquisition Workforce Improvement Act-certified acquisition PM, FSMs with domain expertise for a given service requirement (e.g., transportation unit commander, installation commander, medical treatment facility commander) will exercise program management responsibilities.

IT services. The performance of any services work related to IT and the operation of IT, including National Security Systems. This includes outsourced IT-based business processes, outsourced IT, and outsourced information functions.

Multifunctional Team (MFT). The team that supports the PM or FSM in the acquisition and management of a services requirement. Chaired by the PM or FSM, the MFT includes the Contracting Officer, Contracting Officer's Representative (COR), requirement owner, finance manager, lawyer, and any other interested party, as determined by the PM or FSM.

Portfolio-Specific Commodity Manager (PSCM). The individual who is responsible for the management and effectiveness of acquisitions for services within a specific portfolio and who works closely with requiring activities and contracting agencies to ensure the acquisition actions fulfill user requirements.

product service code (PSC). Four-digit code used by all federal government contracting activities for identifying and classifying the services that are purchased under contract.

requiring activity. The organization charged with meeting a mission and delivering requirements. The requiring activity is responsible for obtaining funding or developing the program objective memorandum. The requiring activity is also the organizational unit that submits a written requirement or statement of need for services required by a contract award.

The requiring activity is responsible for delivering the services to meet the mission. Finally, the requiring activity provides trained and qualified contracted officers capable of determining whether service contract requirements are being performed in accordance with the contract terms.

senior official. The authority responsible for the acquisitions of services within or for an organization.

Senior Services Manager (SSM). With respect to the acquisition of services, the individual at the general or flag officer or Senior Executive Service level appointed by the component senior official to be responsible for governance in planning, execution, strategic sourcing, and management of service acquisitions.

service contract. One that calls directly for a contractor's time and effort rather than for a concrete end product.

Services Acquisition Workshop (SAW). A facilitated workshop built around a specific acquisition and its multi-functional integrated process team. The SAW facilitation team mentors and guides the multi-functional integrated process team in developing their acquisition planning, market research, performance requirements, request for proposals, source selection process, and contractor performance assessment planning and execution documents.

should cost. A PM's cost goal for an acquisition program, or particular activity or product within an acquisition program, developed by analyzing all elements of the program's independent cost estimate ("will-cost estimate") and planning reasonable measures to reduce them. These specific, discrete "should cost" initiatives are developed with prudent, cost-benefit based considerations of associated risks, but without unacceptable reductions in the value received. A program's "should cost" target represents what the PM believes the program ought to cost if identified cost saving initiatives are achieved.

special interest. Services that, by their nature or the circumstances related to their acquisition, deserve special attention or care during planning, review, approval, and oversight.

spend analysis. The collaborative and structured process of critically analyzing an organization's spend data to support business decisions for best practices for acquiring services more effectively and efficiently.

strategic sourcing. The collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring services more effectively and efficiently. Strategic sourcing is a proven best practice and reflects how the DoD acquires services and many products.

tripwire. Pre- and post-award metrics that provide visibility into areas of vulnerability and risk in the acquisition of services that require greater visibility and decisions by higher levels of management. Examples of subject areas for tripwire metrics are the following: bridge contracts (pre-award), labor rates (pre- and post-award) (excluding competitive fixed-price awards),

subcontractor additions (post-award), acquisitions in which one offer is received, best value source selection premiums (pre-award), other direct costs (pre- and post-award), and the award of interagency agreements pursuant to the Economy Act.