



## DoD INSTRUCTION 5000.74

### DEFENSE ACQUISITION OF SERVICES

---

<b>Originating Component:</b>	Office of the Under Secretary of Defense for Acquisition and Sustainment
<b>Effective:</b>	January 10, 2020
<b>Change 1 Effective:</b>	June 24, 2021
<b>Releasability:</b>	Cleared for public release. Available on the Directives Division Website at <a href="https://www.esd.whs.mil/DD/">https://www.esd.whs.mil/DD/</a> .
<b>Reissues and Cancels:</b>	DoD Instruction 5000.74, "Defense Acquisition of Services," January 5, 2016
<b>Approved by:</b>	Ellen M. Lord, Under Secretary of Defense for Acquisition and Sustainment
<b>Change 1 Approved by:</b>	Stacy A. Cummings, Performing the Duties of the Under Secretary of Defense for Acquisition and Sustainment

---

**Purpose:** In accordance with the authority in DoD Directive 5135.02, this issuance:

- Establishes policy, assigns responsibilities, and provides direction for the acquisition of services.
- Establishes a management structure for the acquisition of services and provides implementation procedures.

## TABLE OF CONTENTS

SECTION 1: GENERAL ISSUANCE INFORMATION .....	4
1.1. Applicability .....	4
1.2. Policy .....	5
a. Overarching Management Principles .....	5
b. General .....	5
c. Requirements and Labor Sourcing .....	6
d. Contracting .....	7
1.3. Summary of Change 1 .....	7
SECTION 2: RESPONSIBILITIES .....	8
2.1. Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) .....	8
2.2. Assistant Secretary of Defense for Acquisition (ASD(A)) .....	8
2.3. Principal Director, Defense Pricing and Contracting (DPC) .....	8
2.4. Under Secretary of Defense for Personnel and Readiness .....	9
2.5. Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense .....	9
2.6. Under Secretary of Defense for Intelligence and Security .....	9
2.7. Director, Cost Assessment and Program Evaluation .....	10
2.8. DoD Component Heads .....	10
SECTION 3: SAEs AND AUTHORITIES .....	11
3.1. SAE and CAE .....	11
3.2. Component SSM .....	11
3.3. Component Portfolio Manager (Category-Specific) .....	12
3.4. Functional Services Manager (FSM) .....	13
3.5. Services Acquisition Decision Authority .....	14
a. Acquisition Decision Authority .....	14
b. Special Interest Requirements .....	14
SECTION 4: PROCEDURES .....	16
4.1. Services Acquisition Requirements Development .....	16
a. Responsibility for Services Acquisition Requirements Development .....	16
b. Considerations .....	16
4.2. MFT Guidelines .....	16
4.3. SRRB .....	17
4.4. Services Acquisition Strategy .....	20
4.5. Performance Management Metrics .....	22
4.6. Independent Management Reviews .....	22
4.7. Timely Planning to Avoid Bridge Contracts .....	23
4.8. Supporting Tools .....	24
a. Adaptive Acquisition Framework .....	24
b. Defense Acquisition Guidebook .....	24
c. Service Acquisition Mall .....	24
GLOSSARY .....	25
G.1. Acronyms .....	25
G.2. Definitions .....	25

REFERENCES ..... 28

TABLE

Table 1. S-CATs Decision Authorities ..... 15

FIGURES

Figure 1. Adaptive Acquisition Framework ..... 5  
Figure 2. Seven Steps to the Services Acquisition Process ..... 6  
Figure 3. Federal Category Structure ..... 12

## **SECTION 1: GENERAL ISSUANCE INFORMATION**

### **1.1. APPLICABILITY.**

a. This issuance applies to:

(1) OSD, the Military Departments (MILDEPs), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of 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 issuance 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, as defined in Subpart 2.101 of the Federal Acquisition Regulation (FAR), except those excluded in Paragraph 1.1.b.

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

(1) Services listed in Subpart 37.502 of the FAR.

(2) Services in direct support of a contingency, humanitarian, or peacekeeping operation. 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 as shown in Note 4 of Table 1.

(3) Services that are 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 only apply to the response and initial recovery phase and, 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 as shown in Note 4 of Table 1.

(4) Research and development services and any related services.

(5) Services from DoD Federally Funded Research and Development Centers, which are acquired in accordance with the management structure described in Subpart 35.017 of the FAR and DoD Instruction (DoDI) 5000.77 and from DoD University Affiliated Research Centers, which are acquired in accordance with the management structure described in the DoD University-Affiliated Research Center (UARC) Management Plan.

(6) Construction services and any services relating to construction.

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

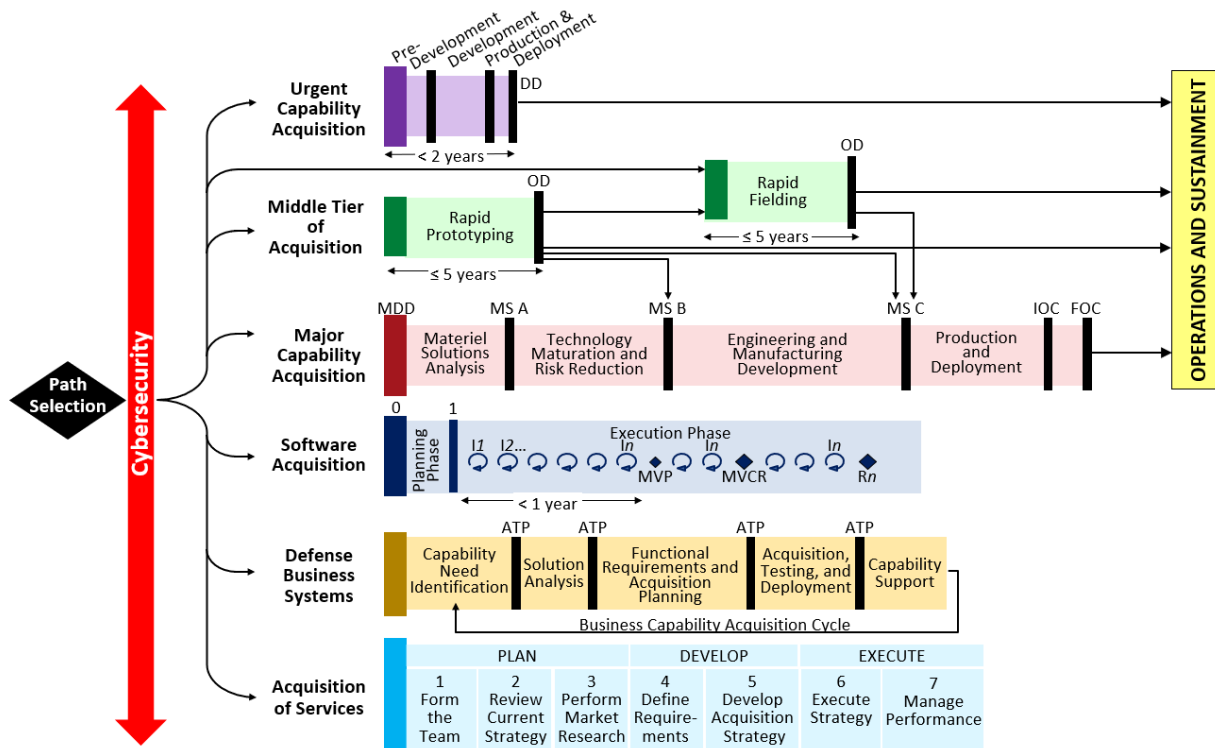
(8) Services that are managed and reviewed as part of acquisition programs under other pathways of the Adaptive Acquisition Framework. However, it may apply to services in these programs at the discretion of the decision authority responsible for the program.

## 1.2. POLICY.

### a. Overarching Management Principles.

The overarching management principles that govern the defense acquisition system are described in DoD Directive 5000.01, DoDI 5000.02, and DoDI 5000.02T. The purpose of the defense acquisition system is to deliver effective and affordable solutions to the end user while enabling execution at the speed of relevance. To achieve that objective, the DoD will employ an adaptive acquisition framework comprising acquisition pathways (see Figure 1), each tailored for the unique characteristics and risk profile of the capability being acquired. This issuance describes the responsibilities of principal acquisition officials and the purpose and key characteristics of the services acquisition pathway.

Figure 1. Adaptive Acquisition Framework



### b. General.

(1) Acquisition of services is a command responsibility: unit, organization, and installation commanders are responsible for the appropriate, efficient, and effective acquisition of services by their organizations. Organizations will assign roles and responsibilities as outlined in this issuance.

(2) The steps outlined in Figure 2 will be used to ensure the use of proven, repeatable processes and procedures contributing to successful services acquisitions.

**Figure 2. Seven Steps to the Services Acquisition Process**

SEVEN STEPS TO THE SERVICES ACQUISITION PROCESS						
PLAN			DEVELOP		EXECUTE	
STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Form the Team	Review Current Strategy	Perform Market Research	Define Requirements	Develop Acquisition Strategy	Execute Strategy	Manage Performance

(3) The evolving nature of industry-provided services capabilities, including innovative processes for services and the use of technology in delivering services outcomes, should be considered when acquiring services. These capabilities include, but are not limited to, automation, improved or re-engineered processes (both internal and external to the DoD), and the use of tools and techniques to improve the services management.

(4) The government workforce acquiring and managing services will be trained and experienced in acquiring and managing acquisitions of services.

(5) Acquisitions of information technology services will comply with DoDI 5000.82 and this issuance.

**c. Requirements and Labor Sourcing.**

(1) Contractor personnel, along with military and civilian manpower, are an element of the DoD’s Total Force.

(2) Contractors will not be used to perform unauthorized personal services functions as outlined in Subpart 37.104 of the FAR or inherently governmental functions as outlined at Subpart 7.5 of the FAR; Subpart 207.5 of the Defense Federal Acquisition Regulation Supplement (DFARS); Section 2463 of Title 10, United States Code (U.S.C.); and Office of Federal Procurement Policy Letter 11-01. The reliance on contractors to perform functions that are critical or closely associated with inherently governmental functions will be reviewed and justified as outlined in Office of Federal Procurement Policy Letter 11-01, Subpart 7.503(e) of the FAR, and Subpart 207.503 of the DFARS. Performance of these functions will be reduced to the maximum extent practicable, as required by Section 2330a(e) of Title 10, U.S.C.

(3) Pursuant to Section 2461 of Title 10, U.S.C., Section 325 of Public Law 111-84, and Section 742 of Division E of Public Law 115-141, civilian work may not be outsourced to performance by contracted services.

(4) The Director, Office of Small Business Programs (OSBP) is required to review and advise on any decisions to convert an activity performed by a small business concern to an activity performed by a federal employee.

**d. Contracting.**

(1) The DoD will use competitive procedures and incentive- and performance-based contracting to the maximum extent practicable for the procurement of services to improve productivity and performance consistent with DoD objectives.

(2) Services acquisitions will be structured and managed to provide opportunities for the DoD to leverage small business capabilities and maximize competition.

(3) Existing government-wide contracts should be used to the maximum extent practicable for services acquisitions for the Federal Category Structure shown in Figure 3.

(4) The acquisition strategy for services will provide appropriate mechanisms to identify and manage intellectual property to allow both the government and industry a fair and reasonable return on investment while enabling competitive and cost-effective transition to follow-on service providers. Where competition is determined not to be feasible or practicable, acquisition strategies will incorporate processes to generate improved performance or cost savings with the sole source vendor, such as incentives and performance metrics.

(5) Line item structure will be in accordance with FAR 4.1005, including the required Product or Service Code designating the category of goods or services being procured.

**1.3. SUMMARY OF CHANGE 1.**

This change:

- a. Aligns this issuance with the Adaptive Acquisition Framework established in DoDI 5000.02.
- b. Organizes policy content to separate general acquisition policy from contracting policy.
- c. Removes IT policy from this issuance so that it can be incorporated into DoDI 5000.82.

## **SECTION 2: RESPONSIBILITIES**

### **2.1. UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT (USD(A&S)).**

The USD(A&S):

- a. Develops, distributes, and oversees implementation of policies on the acquisition of services across the DoD.
- b. Serves as the senior official responsible for acquisition of services in the DoD Components in the Fourth Estate in accordance with Section 2330(a)(3) of Title 10, U.S.C.
- c. Serves as or designates a senior DoD decision authority for designated special interest services acquisition category (S-CAT) as defined in Table 1.
- d. May delegate decision authority to DoD Component heads with further delegation to the Component Acquisition Executive (CAE).
- e. Coordinates with the Under Secretary of Defense for Intelligence and Security to ensure that security implications are addressed throughout the acquisition of services process.

### **2.2. ASSISTANT SECRETARY OF DEFENSE FOR ACQUISITION (ASD(A)).**

Under the authority, direction, and control of the USD(A&S), the ASD(A):

- a. Serves as the staff-level lead for services acquisition supporting the USD(A&S).
- b. Develops implementing policies, procedures, and best practice guidelines for services acquisitions consistent with Sections 2322 and 2330 of Title 10, U.S.C., in consultation with Service Acquisition Executives (SAEs) and CAEs and Component Senior Services Managers (SSMs).
- c. Reviews DoD Component requests for waivers or requests for exemption to the procedures in this issuance for approval when necessary.
- d. May designate a Services Acquisition requirement as “Special Interest.”

### **2.3. PRINCIPAL DIRECTOR, DEFENSE PRICING AND CONTRACTING (DPC).**

Under the authority, direction, and control of the ASD(A), the Principal Director, DPC:

- a. Is responsible for all contracting and defense pricing policy matters in the DoD.
- b. Develops and maintains the DFARS and its procedures, guidance, and information, including those related to services acquisitions.



- c. Defines necessary data and information exchange with DoD Components to support program assessments, portfolio trend analysis, and component improvements in the acquisition of services.
- d. Develops and implements a management structure that includes defining data elements required to measure progress and performance of service acquisitions.
- e. Coordinates with the OSD OSBP on proposed acquisition strategies and enterprise-wide strategic sourcing.

#### **2.4. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS.**

The Under Secretary of Defense for Personnel and Readiness:

- a. Is responsible for establishing and maintaining the policies and procedures, consistent with statute and regulation, for determining workload alignment and workforce mix, as well as the appropriateness of labor sources (i.e., military and civilian personnel and contracted services) to perform certain functions.
- b. 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 services acquisitions.
- c. Implements guidelines and procedures pertaining to work that is currently performed by a contractor to be insourced by the government workforce.
- d. Maintains policies and procedures regarding the conversion of workload performed by one source of labor to a different source of labor, to include the conversion of work performed by, or designated for performance by, civilian employees to contracted services.

#### **2.5. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE.**

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, reviews costs incurred for services acquisition and makes programming recommendations as appropriate and is jointly responsible with the Director, Cost Assessment and Program Evaluation, for the data analysis and reporting oversight requirements in Section 2329 of Title 10, U.S.C.

#### **2.6. UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE AND SECURITY.**

The Under Secretary of Defense for Intelligence and Security coordinates with the USD(A&S) to ensure that security implications are addressed throughout the acquisition of services process in accordance with DoD security policy.

## **2.7. DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION.**

The Director, Cost Assessment and Program Evaluation, establishes policies and procedures for the collection of cost data and conducting cost estimates and is jointly responsible with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, for the data analysis and reporting oversight requirements in Section 2329 of Title 10, U.S.C.

## **2.8. DOD COMPONENT HEADS.**

DoD Component heads:

a. Implement the policy and procedures in this issuance within their respective DoD Component. When necessary, submit waivers or requests for exceptions to the provisions of this issuance to the ASD(A) or designee.

b. Develop implementation guidance to support this issuance to best achieve cost, schedule, and performance objectives, including encouraging the use of DoD-wide and best-in-class (BIC) solutions when appropriate and consistent with statutory and regulatory requirements for the acquisition of services.

c. Appoint a SSM who serves as the senior official responsible for the management of acquisition of services for and on behalf of their respective component and implementation of the procedures in this issuance, as follows.

### **(1) DoD Components Other than the MILDEPs.**

A CAE exercises decision authority as delegated from the DoD Component head or the USD(A&S).

### **(2) MILDEPs.**

An SAE exercises decision authority in accordance with Section 2330 of Title 10, U.S.C. Further delegation is allowed to the Service senior procurement executives.

d. Provide necessary data and information exchange to the USD(A&S) to support program assessments, trend analysis, and component improvements in the acquisition of services.

e. Review and validate requirements for the acquisition of services in accordance with DoD Component procedures.

## **SECTION 3: SAEs AND AUTHORITIES**

### **3.1. SAE AND CAE.**

SAEs and CAEs will oversee implementation of this issuance on behalf of their respective DoD Component.

### **3.2. COMPONENT SSM.**

Component SSMs:

a. Are responsible for the planning, strategic sourcing, management, and oversight of services acquisitions conducted by their component.

b. Work with key stakeholders within their component to:

(1) Establish appropriate management structures and processes as well as implement an oversight framework to ensure effective implementation and execution of the acquisition of services using this issuance.

(2) Develop processes to implement Services Requirements Review Boards (SRRBs) to ensure requirements for the acquisition of services are reviewed, validated, and approved, and to verify the need for the requirement at the appropriate level of review and approval within the component.

(3) Identify opportunities to reduce duplication of requirements, to increase small business (to include socio-economic concerns) participation as prime and subcontractors, and increase overall acquisition efficiencies in the acquisition of services.

(4) Develop services forecasting tools to predict the renewal of requirements and new requirements in order to support early acquisition planning, budget development, and requirements approval, and to publish the forecast in accordance with the Small Business Act.

(5) Support acquisition strategy and independent management review processes for services acquisitions in accordance with the S-CAT thresholds in Table 1.

(6) Review, develop, and use data and metrics to support strategic management decisions, meet small business and competition goals, and document trends and costs in the acquisition of services.

(7) Require training and development of the acquisition workforce supporting services acquisitions.

### 3.3. COMPONENT PORTFOLIO MANAGER (CATEGORY-SPECIFIC).

a. Pursuant to Section 2330 of Title 10, U.S.C., Component Portfolio Managers are dedicated, full-time commodity managers to coordinate the procurement of key categories of services within the component as may be appropriate.

b. Portfolio Managers will manage services in order to improve productivity and efficiency. Requirements will be addressed from an appropriate enterprise-level (e.g., DoD Component-wide, DoD-wide, or BIC solution) so that resulting contract awards are aligned with mission, security, performance, and cost objectives.

c. Category-specific portfolios are based on the federal taxonomy. There are 19 categories in the federal structure – 10 for common spending across the Federal Government and nine for DoD-centric spend, as shown in Figure 3. A category may include services or products. The DoD services structure consists of 14 categories, bolded in Figure 3. Information on how the Federal Government is using strategic business practices on categories to buy smarter and more like a single enterprise can be found at <https://hallways.cap.gsa.gov/app/#/>.

**Figure 3. Federal Category Structure**

Common Categories	IT	Professional Services	Security & Protection	Facilities & <sup>1</sup> Construction	Industrial Products & Services
	Office Management	Transportation & Logistics Services	Travel & Lodging	Human Capital	Medical
DoD-Centric Categories	Miscellaneous <sup>2</sup> S&E	<sup>3</sup> Research & Development	Equipment Related Services	Electronic & Communications Services	Clothing, Textiles, & Subsistence S&E
	<sup>4</sup> Aircraft, Ships/Subs, & Land Vehicles	<sup>4</sup> Weapons & Ammunition	<sup>4</sup> Electronic & Communications Equipment	<sup>4</sup> Sustainment S&E	

<sup>1</sup>Construction is not included as part of services acquisitions category management  
<sup>2</sup>Supplies & Equipment (S&E)  
<sup>3</sup>Research and Development is not included as part of services acquisitions category management  
<sup>4</sup>The last 4 categories include only supplies and are not part of services acquisitions category management

d. Portfolio Managers will require service acquisitions to be executed efficiently and with increased productivity by:

(1) Using and documenting 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) Requiring services acquisitions to 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 (MFTs).
- (6) Minimizing the use of non-competitive bridge contract actions through early requirement and acquisition planning.
- (7) Identifying potential contract consolidation candidates and coordinating with the appropriate OSBP to ensure compliance with applicable bundling and consolidation policy.
- (8) 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 DoD needs.
- (9) Completing a business case analysis on acquisitions of \$50 million or more that may significantly overlap with the requirements of an existing contract, DoD or government-wide acquisition contract, or BIC contract.

### **3.4. FUNCTIONAL SERVICES MANAGER (FSM).**

a. FSMs are responsible for the security, cost, schedule, and performance of a specific service acquisition project. They are the lead for developing, coordinating, and resourcing the requirement and overseeing it through the acquisition process. They require accomplishment of project objectives and oversee acquisition of services to meet the user's mission needs.

b. FSMs will be designated by the requiring activity under most circumstances. The FSM is responsible for developing the preferred services acquisition solution, including securing SRRB approval when necessary, considering the following:

- (1) Initial acquisition strategy.
- (2) Business approach.
- (3) Assumptions.
- (4) An assessment of project and mission risk.
- (5) Technology development or other innovations (if any).
- (6) Risk strategies.
- (7) Cost targets.

- (8) Contract surveillance and oversight strategy.
- (9) Market research.
- (10) Performance metrics.

c. The FSM leads a multifunctional team through a services acquisition using the steps outlined in Figure 2 (tailored as required).

d. The FSM is responsible for implementing effective risk management and tracking to include:

- (1) Identification of all known risks.
- (2) Key assumptions.
- (3) Probability of occurrence.
- (4) Consequences of occurrence (in terms of cost, schedule, and performance) if not mitigated.
- (5) Analysis of mitigation options.
- (6) Decisions about actions to mitigate risk, and execution of those actions.

e. The FSM will conduct reviews of the services acquisition project on a regular basis, and reviews will be event-driven if transitioning between different phases of the acquisition process.

f. The FSM will capture support metrics and cost data, as appropriate, and track performance against cost targets. The FSM will immediately notify the requiring activity when they become aware of significant deviations from any parameter (e.g., cost, schedule, performance).

### **3.5. SERVICES ACQUISITION DECISION AUTHORITY.**

#### **a. Acquisition Decision Authority.**

The designated decision authority for each S-CAT is listed in Table 1.

#### **b. Special Interest Requirements.**

For all requirements designated as special interest, the USD(A&S), Principal Director, DPC, or designee is the decision authority in the acquisition chain of command. Staff and other organizations and stakeholders provide support to this FSM management chain of command, which is responsible for the execution of the services acquisition.

**Table 1. S-CATs Decision Authorities**

<b>Category</b>	<b>Threshold<sup>1</sup></b>	<b>MILDEP and Fourth Estate Acquisition Decision Authority<sup>3 4</sup></b>
S-CAT I	Acquisitions of services with an estimated total value of \$1 billion or more, or with an estimated total value in any one year of more than \$300 million	SAE, CAE or designee
Special Interest <sup>2</sup>	As designated by the ASD(A)	USD(A&S) or designee
S-CAT II	Acquisitions of services with an estimated total value of \$250 million or more, but less than \$1 billion	SAE, CAE, or designee
S-CAT III	Acquisitions of services with an estimated total value of \$100 million or more, but less than \$250 million	Component SSM or designee
S-CAT IV	Acquisitions of services with an estimated total value of \$10 million or more, but less than \$100 million	Component SSM or designee
S-CAT V	Acquisitions of services with an estimated total value above the simplified acquisition threshold, but less than \$10 million	Component SSM or designee
<p><sup>1</sup> Dollar threshold is determined based on the independent government cost estimate in current-year dollars, in accordance with the DoD Handbook for Services Acquisition, Independent Government Cost Estimate.</p> <p><sup>2</sup> The “Special Interest” designation is typically based on one or more of these 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.</p> <p><sup>3</sup> In accordance with DPC memorandum, “Approval of Changes to the Decision Authorities of DoD Components for Acquisition of Services,” dated June 21, 2016, as amended.</p> <p><sup>4</sup> For services acquired in support of business systems; acquisition decision authorities will align with DoDI 5000.75.</p>		

## **SECTION 4: PROCEDURES**

### **4.1. SERVICES ACQUISITION REQUIREMENTS DEVELOPMENT.**

#### **a. Responsibility for Services Acquisition Requirements Development.**

The decision authority listed in Table 1 or designee is responsible for ensuring qualified FSMs oversee planning and execution of services acquisition requirements.

(1) The requiring activity will determine the need for an FSM with relevant training and qualifications based on risk or complexity of the acquisition.

(2) In the absence of FSMs with relevant training and qualifications, an FSM with functional expertise for a given services requirement will exercise management responsibilities and be trained in accordance with the tools included in Paragraph 4.8.

(3) The FSM and his or her project team should leverage the tools and checklists included in Paragraph 4.8.

#### **b. Considerations.**

The FSM and his or her project team should consider costs of labor skill mix and categories, service levels, frequency of performance, and dictated quality levels when developing the requirement to meet mission needs for services acquisition. Discrete costs of increased levels of service or the next-higher labor category must be weighed against mission needs and budget constraints to ensure the services to be acquired represent the best value to the government and meet mission requirements.

### **4.2. MFT GUIDELINES.**

a. The MFT will be led by the FSM assigned to the services acquisition requirement.

b. The FSM must engage with all functional stakeholders during the MFT formation process to ensure the team is adequately staffed with required skillsets and has coordinated any necessary training to execute the services acquisition.

c. The MFT assembled to develop the requirements should be comprised of individuals with various critical functional skills (including subject matter experts), and may be unique to an acquisition.

d. MFTs that support services acquisition requirements applicable to this issuance with a total contract value of \$500 million or more or an annual value of \$250 million or more must participate in a services acquisition workshop (SAW), or equivalent program, as provided by the Defense Acquisition University (DAU). For multiple award, indefinite delivery, indefinite quantity contracts, a SAW is not required for the base contract, but is required for any task order



valued at \$100 million or more. In cases where a SAW is required, it is required before a services acquisition strategy will be approved.

(1) MILDEP, Joint Command, and Fourth Estate Component SSMs must electronically submit an annual SAW 5-year forecast to SAW@dau.edu by October 1 each year. The 5-year forecast must provide the projected number of SAWs for each fiscal year including requirement names.

(2) Requiring activities may request a SAW that includes DAU staff consulting on multiple-phase engagements during pre-award.

(3) SAW waivers may only be granted by the DoD Component SSM. For Special Interest acquisitions, SAW waivers may only be granted by the decision authority.

(4) Although not required, requiring activities should consider applying the SAW requirement to services acquisitions valued at \$10 million or more, but less than the dollar cap set forth in subparagraph d above.

e. The FSM or other personnel assigned to lead the MFT should understand the costs related to the services being acquired. The representative must apply a cost analysis outlining these discrete costs within the overall service requirement, coupled with initial 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 only the highest-priority services describing well-defined mission requirements will be approved for acquisition.

#### **4.3. SRRB.**

a. An SRRB process will be used to review, validate, prioritize, and approve services requirements to accurately inform the budget and acquisition processes. The SRRB should also be conducted to build a contractual services forecast on an annual basis. A requirements review process is critical to the final cost, schedule, and performance of an acquired service and should be informed by current and accurate mission needs, spend data analysis, cost analysis, risk analysis, and initial market research.

b. The SRRB will be conducted as early in the services acquisition process as practical before a procurement request package is transferred over to a DoD Component's contracting office for execution. It will not be combined with contract review boards chaired by contracting authorities that occur throughout the year and are focused on approving individual contract actions before release of request for proposals.

c. DoD Components will use an SRRB process for services acquisitions with an estimated total value \$10 million or more. For an indefinite delivery, indefinite quantity contract, this includes both the base contract and any task orders of \$10 million or more. Although not required, decision authorities should consider screening for requirements with an estimated total value below \$10 million which may benefit from the SRRB process.

d. Although not required, DoD Components should consider using Contractual Services Managers, SRRB engagement teams, or services acquisition management software tools if appropriate to track and streamline SRRB processes and work with the requiring activity before holding a board meeting.

e. An SRRB will review requirements for services acquisitions and is led by the organization that requires those services. An SRRB will:

(1) Increase visibility of, and collaboration on, services requirements among all stakeholders.

(2) Validate requirements before execution of approved acquisition strategy or execution of a contract option.

(3) Provide for prioritization of services requirements to support funding decisions.

(4) Increase collaboration among stakeholders on key strategy decisions to optimize services acquisitions and enable efficiencies.

(5) Foster proactive management by the DoD Components for services acquisitions.

(6) Identify and document opportunities for savings and cost avoidance that may be realized through reduction in service delivery levels, outright cancellation to bring services requirements in-house in accordance with Section 2463 of Title 10, U.S.C., or elimination of the services altogether to fund higher-priority services requirements.

f. Requirements approval should be obtained from the assigned SRRB chair before financial or contracting actions are initiated unless otherwise directed by the decision authority. The seniority of the SRRB chair will be commensurate with the complexity, contract value, and performance risk associated with the services requirement.

g. SRRBs provide a process for senior leaders to assess, review, and validate services requirements. Requirements reviews should be appropriately tailored to include, 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) *Strategic Alignment.*

How the requirement for services supports the broader organizational mission.

(3) *Issues and Risks.*

Both government and contractor issues and risks impacting the successful execution of fulfilling the requirement.

**(4) Workforce Analysis.**

An analysis of the decision to insource or outsource, including any past decisions and why the requirement cannot be fulfilled with military or civilian personnel. Coordination with the DoD Component Manpower and Personnel officials should be done in accordance with DoD Directive 1100.4. The analysis should also take into consideration guidance outlined in DoDI 1100.22, DoDI 7041.04 and Office of Management and Budget Circular A-76/Section 2461 of Title 10, U.S.C. In addition, the OSBP is required to review and advise on any decisions to convert an activity performed by a small business concern to an activity performed by a federal employee.

**(5) Relationship to Other Requirements.**

How the requirement for services impacts other requirements of the DoD Component (positively or negatively).

**(6) Projected Cost of Requirement.**

Estimate of the forecasted cost of fulfilling the requirement, at least through the Future Years Defense Program (5 years).

**(7) 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.

**(8) Contract and Work Functions.**

A review and identification of contract and work functions that may be prohibited or require heightened management attention, such as closely associated with inherently governmental functions or critical functions. For additional guidance on identification, SRRBs are recommended to use the DoD Handbook of Contract Function Checklists for Services Acquisition, as needed.

**(9) Metrics.**

Performance management metrics should be considered to the maximum extent practicable during the SRRB review and approval process.

h. SRRBs may be conducted on individual requirements. Comprehensive reviews enhance the quality of requirements prioritization and services requirements risk assessments. These reviews may be tiered at different levels of the organization as directed by DoD Component guidance.

i. Organizations must track SRRB results, to include review goals, the cost baseline of services requirements, number of services contracts in the organization and number reviewed, value of efficiencies identified, and impact on meeting small business and competition goals.

j. Although not required, organizations should consider integrating and aligning their SRRB forecasting processes with program objective memorandum or other type of 5-year funding plans identifying the specific capabilities needed to meet planning guidance objectives for their mission.

#### **4.4. SERVICES ACQUISITION STRATEGY.**

a. The services acquisition strategy describes the plan to achieve the goals set in the services acquisition. The services acquisition strategy document is called an Acquisition Plan when the total cost of contracts for the acquisition program is estimated to be equal to or greater than the threshold described in Subpart 207.103(d)(i)(B) of the DFARS. The services acquisition strategy contains sufficient detail to allow senior leadership and the S-CAT decision authority to assess whether the strategy makes good business sense, effectively implements laws and policies, and reflects management's priorities, including affordability.

b. Consistent with the size and complexity of the program, requiring activities will prepare acquisition plans when the total cost of contracts for the acquisition program is estimated to be equal to or greater than the threshold described in Subpart 207.103(d)(i)(B) of DFARS. The contents of written acquisition plans must be consistent with Subpart 207.105 of the DFARS.

c. Requiring activities will document the management and oversight process for the acquisition of services using streamlined documentation when the total cost of contracts for the acquisition program is estimated to be above the simplified acquisition threshold, but less than the threshold described in Subpart 207.103(d)(i)(B) of the DFARS. At a minimum, documentation for the management and oversight process for the acquisition of services will consider:

(1) Requirements development and management, which will include (tailored as appropriate):

(a) The source of the requirement, the outcomes to be achieved and, if performance-based, what metrics will be used to measure the outcomes.

(b) How the requirement was previously satisfied.

(c) A summary of the market research conducted.

(d) A summary that addresses consolidated or bundled requirements, if it applies.

(e) A summary of the analysis of alternatives.

(2) Acquisition planning, which will include (tailored as appropriate):

(a) A description of the acquisition approach including appropriate milestones.

(b) Cost/price estimate for the total planned acquisition.

- (c) How the acquisition will be funded.
  - (d) Implementation of performance-based services acquisition or rationale for not using a performance-based services acquisition approach.
  - (e) Opportunities for small business, including socio-economic concerns, to participate as prime and subcontractors.
  - (f) Proposed evaluation criteria and basis for award.
  - (g) If other than full and open competition, the rationale and its appropriate statutory authority.
  - (h) Multi-year service contracting, if it applies in accordance with (Subpart 17.1 of the FAR).
  - (i) Any required waivers or deviations.
- (3) Solicitation and contract award documentation, which may include (tailored as appropriate):
- (a) The type of business arrangements anticipated (e.g., single contract, multiple award task order contract, task order under existing multiple award contract).
  - (b) The duration of each business arrangement (base period and all option periods).
  - (c) Pricing arrangements (e.g., fixed price, cost reimbursement, time and materials, labor hour, or variations based on guidance found in Parts 12 or 16 of the FAR).
- (4) A summary of the significant risk, issue, and opportunity assessment and management plan, to include potential impacts on cost, schedule, and performance. Examples of significant risk, issue, and opportunity areas requiring an assessment and management plan may include:
- (a) Acquisitions in which there is limited experience with the specific requirement and there is a moderate to high risk of not completing the acquisition successfully.
  - (b) Acquisitions in which incentives (e.g., award fees, incentive fees) are to be included.
  - (c) Acquisitions in which there is a history of protests or performance problems.
  - (d) Acquisitions that are closely associated with inherently governmental functions.
  - (e) External assisted acquisitions that intend to employ authority in accordance with Section 1535 of Title 31, U.S.C. (also known as “the Economy Act of 1933”) or full service, internal assisted acquisitions under a non-Economy Act authority.

(5) A summary of the existing and planned contract and performance management approach.

(6) A summary of the plan for evaluating whether the metrics and any other measures identified to guide the acquisition have been achieved.

#### **4.5. PERFORMANCE MANAGEMENT METRICS.**

a. It is an objective of the DoD to achieve efficiencies in procurements of services through the use of:

(1) Performance-based services contracting.

(2) Competition.

(3) Program review spending analyses, and improved management of services contracts.

b. DoD Components will employ performance management metrics to the maximum extent practicable to signal areas of potential risk (e.g., performance, cost, schedule, small business participation, competition) to the DoD. Performance metrics signaling areas of potential risk 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.

c. Specific metrics can be tailored to the specific needs of the government customer for the services and the requirement. However, the metrics must:

(1) Track and measure performance effectively.

(2) Support and inform acquisition planning for new contracts, contract renewals, and contract re-competes.

(3) Be considered during the SRRB review and approval process.

#### **4.6. INDEPENDENT MANAGEMENT REVIEWS.**

a. DoD Components will establish procedures for periodic independent management reviews of contracts with a total value of \$100 million or more for services in their post-award period and any additional contracts that the DoD Component deems necessary. The reviews may be organized in a variety of different ways, such as annually or by milestone, on an individual contract basis, by organization, or by specific portfolio/category. Pursuant to Section 2330 of Title 10, U.S.C., the independent management reviews must be designed to evaluate at a minimum:

(1) Contract performance in terms of costs, schedule, and requirements.

(2) The use of contracting mechanisms, including the use of competition, the contract structure and type, the definition of contract requirements, cost or pricing methods, the award and negotiation of task orders, and management and oversight mechanisms.

(3) The contractor's use, management, and oversight of subcontractors.

(4) The staffing of contract management and oversight functions.

(5) The extent of any pass-through charges by the contractor.

b. In addition to the matters required by Paragraph 4.6.a., DoD Components will provide for procedures for the periodic review of contracts under which one contractor provides oversight for services performed by other contractors. In particular, the procedures will be designed to evaluate, at a minimum:

(1) The extent of the component's reliance on the contractor to perform acquisition functions closely associated with inherently governmental functions as defined in Section 2383(b)(3) of Title 10, U.S.C.

(2) The financial interest of any prime contractor performing acquisition functions in any contract or subcontract with regard to which the contractor provided advice or recommendations to the component.

#### **4.7. TIMELY PLANNING TO AVOID BRIDGE CONTRACTS.**

a. Pursuant to Section 2329(e) of Title 10, U.S.C., requirements owners must, to the extent practicable, plan appropriately before the date of need for a service at a MILDEP, a Defense Agency, a DoD Field Activity, a command, or a military installation to avoid the use of a bridge contract to provide for continuation of a service to be performed through a services contract. Such planning must include allowing time for a requirement to be validated, funding for the services contract to be secured, and for a services contract to be entered into.

b. Upon the first use of a bridge contract to provide for continuation of a service to be performed through a services contract, due to inadequate planning as determined by the S-CAT decision authority, the requirements owner, along with the contracting officer or a designee of the contracting officer for the contract, will:

(1) For a services contract in an amount less than \$10 million, provide an update on the status of the bridge contract (including the rationale for using the bridge contract) to the commander or the senior civilian official of the Defense Agency concerned, DoD Field Activity concerned, or military installation concerned, as applicable; or

(2) For a services contract in an amount equal to or greater than \$10 million, provide an update on the status of the bridge contract (including the rationale for using the bridge contract) to the SAE of the MILDEP concerned, the head of the Defense Agency concerned, the Combatant Commander concerned, or the USD(A&S), as applicable.

c. Upon the second use of a bridge contract to provide for continuation of a service to be performed through a services contract in an amount less than \$10 million, due to inadequate planning as determined by the S-CAT decision authority, the commander or senior civilian official referred to in Paragraph b.(1) will provide notification of such use to the Vice Chief of Staff of the armed force concerned and the SAE of the MILDEP concerned, the head of the Defense Agency concerned, the Combatant Commander concerned, or the USD(A&S), as applicable.

d. This section does not apply to:

(1) Service contracts in support of contingency operations, humanitarian assistance, or disaster relief;

(2) Service contracts in support of a national security emergency declared with respect to a named operation; or

(3) Service contracts entered into pursuant to an international agreement.

#### **4.8. SUPPORTING TOOLS.**

##### **a. Adaptive Acquisition Framework.**

The Adaptive Acquisition Framework website (<https://aaf.dau.edu/>) integrates acquisition policies with the latest guidance and additional resources.

##### **b. Defense Acquisition Guidebook.**

The Defense Acquisition Guidebook (<https://www.dau.edu/tools/dag>) is a discretionary best practice guide that has tutorials and additional information on acquisition policy.

##### **c. Service Acquisition Mall.**

The tools found on the DAU Service Acquisition Mall website (<https://www.dau.edu/tools/Documents/SAM/home.html>) should be used to the maximum extent practicable for the development of performance-based requirements.



## GLOSSARY

### G.1. ACRONYMS.

ACRONYM	MEANING
ASD(A)	Assistant Secretary of Defense for Acquisition
BIC	best-in-class
CAE	Component Acquisition Executive
DAU	Defense Acquisition University
DFARS	Defense Federal Acquisition Regulation Supplement
DoDI	DoD instruction
DPC	Defense Pricing and Contracting
FAR	Federal Acquisition Regulation
FSM	Functional Services Manager
MFT	multi-functional team
MILDEP	Military Department
OSBP	Office of Small Business Programs
SAE	Service Acquisition Executive
SAW	services acquisition workshop
S-CAT	services acquisition category
SRRB	Services Requirements Review Board
SSM	Senior Services Manager
U.S.C.	United States Code
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment

### G.2. DEFINITIONS.

These terms and their definitions are for the purpose of this issuance.

TERM	DEFINITION
<b>acquisition value</b>	The total price or total estimated cost of the contract or task order, including the base period and all options.

<b>TERM</b>	<b>DEFINITION</b>
<b>BIC</b>	<p>A contract vehicle that has been designated by the Office of Management and Budget as a preferred government-wide solution that:</p> <ul style="list-style-type: none"><li>Allows acquisition experts to take advantage of pre-vetted, government-wide contract solutions.</li><li>Supports a government-wide migration to solutions that are mature and market-proven.</li><li>Assists in the optimization of spend, with the government-wide category management framework.</li><li>Increases the transactional data available for agency-level and government-wide analysis of buying behavior.</li></ul>
<b>bundling</b>	<p>As defined in Subpart 2.101 of the FAR.</p>
<b>Contractual Services Manager</b>	<p>A senior acquisition professional in the organization that facilitates and oversees the acquisition of services contracts in a strategic manner.</p>
<b>decision authority</b>	<p>The individual responsible for ensuring 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.</p>
<b>Fourth Estate</b>	<p>DoD Components that do not belong to one of the three MILDEPs. This includes organizations such as Defense Agencies, Defense Field Activities, OSD offices, the Joint Staff, Unified Combatant Commands, and others.</p>
<b>FSM</b>	<p>The lead for developing, coordinating, and resourcing the requirement and overseeing it throughout the acquisition process.</p>
<b>MFT</b>	<p>Team composed of representatives from appropriate functional disciplines working together and supporting the FSM to create successful acquisition of services, identify and resolve issues, and make sound and timely recommendations to facilitate decision-making.</p>
<b>procurement request package</b>	<p>A set of documents that describe the required services and supplies so that a procurement can be initiated by the contracting office, and when accepted, becomes the basis for a solicitation. It may include, but is not limited to, the performance work statement, market research report, acquisition strategy or plan, quality assurance surveillance plan, and independent government cost estimate.</p>

<b>TERM</b>	<b>DEFINITION</b>
<b>requiring activity</b>	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 may also be the organizational unit that submits a written requirement or statement of need for services required by a contract. The requiring activity is responsible for delivering the services to meet the mission if a contract is not in effect. Finally, the requiring activity provides a trained and qualified contracting officer's representatives capable of determining whether services contract requirements are being performed in accordance with the contract.
<b>SAW</b>	A facilitated workshop built around a specific acquisition and its MFT. The SAW facilitation team mentors and guides the MFT in developing their acquisition planning, market research, performance requirements, request for proposals, source selection process, and contractor performance assessment planning and execution documents.
<b>senior official</b>	The authority responsible for the acquisitions of services within or for an organization.
<b>service contract</b>	As defined in Subpart 37.101 of the FAR.
<b>simplified acquisition threshold</b>	As defined in Subpart 2.101 of the FAR: <a href="https://www.acquisition.gov/far/part-2#FAR_2_101">https://www.acquisition.gov/far/part-2#FAR_2_101</a>
<b>special interest</b>	Services that, by their nature or the circumstances related to their acquisition, deserve increased attention or care during planning, review, approval, and oversight.
<b>SSM</b>	With respect to the acquisition of services, the individual at the general or flag officer or Senior Executive Service level appointed by the DoD Component senior official to be responsible for governance in planning, execution, strategic sourcing, and management of service acquisitions.

## REFERENCES

- Defense Acquisition University, “Defense Acquisition Guidebook,” current edition
- Defense Acquisition University, Services Acquisition Mall<sup>1</sup>
- Defense Federal Acquisition Regulation Supplement, current edition
- Director, Defense Procurement and Acquisition Policy Memorandum, “Approval of Changes to the Decision Authorities of DoD Components for Acquisition of Services,” June 21, 2016
- DoD Directive 1100.4, “Guidance for Manpower Management,” February 12, 2005
- DoD Directive 5000.01, “The Defense Acquisition System,” September 9, 2020
- DoD Directive 5135.02, “Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)),” July 15, 2020
- DoD Handbook for Services Acquisition, Independent Government Cost Estimate, current edition
- DoD Handbook of Contract Function Checklists for Services Acquisition, May 2018
- DoD Instruction 1100.22, “Policy and Procedures for Determining Workforce Mix,” April 12, 2010, as amended
- DoD Instruction 5000.02, “Operation of the Adaptive Acquisition Framework,” January 23, 2020
- DoD Instruction 5000.02T, “Operation of the Defense Acquisition System,” January 7, 2015, as amended
- DoD Instruction 5000.75, “Business Systems Requirements and Acquisition,” February 2, 2017, as amended
- DoD Instruction 5000.77, “DoD Federally Funded Research and Development Center (FFRDC) Program,” January 31, 2018, as amended
- DoD Instruction 5000.82, “Acquisition of Information Technology,” April 21, 2020
- DoD Instruction 7041.04, “Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support,” July 3, 2013, as amended
- Federal Acquisition Regulation, current edition
- Office of Federal Procurement Policy (OFPP) Policy Letter 11-01, “Performance of Inherently Governmental and Critical Functions,” September 12, 2011
- Office of Management and Budget Memorandum A-76, “Performance of Commercial Activities,” August 4, 1983, as amended
- Public Law 111-84, “National Defense Authorization Act for Fiscal Year 2010,” October 28, 2009
- Public Law 115-141, “Consolidated Appropriations Act, 2018,” March 23, 2018
- United States Code, Title 10
- United States Code, Title 31 (also known as “The Economy Act of 1933”)
- University-Affiliated Research Center (UARC) Management Plan, August 8, 2010

---

<sup>1</sup> Available on the Internet at <https://www.dau.edu/tools/Documents/SAM/home.html>