AD-A156 313 A HANDBOOK FOR ENTRY-LEVEL SYSTEM BUYERS: THE ROLE-RELATIONSHIP OF THE CO (U) AIR COMMAND AND STAFF COLL MAXWELL AFB AL R P FOLEY APR 85 ACSC-85-0850 1/1

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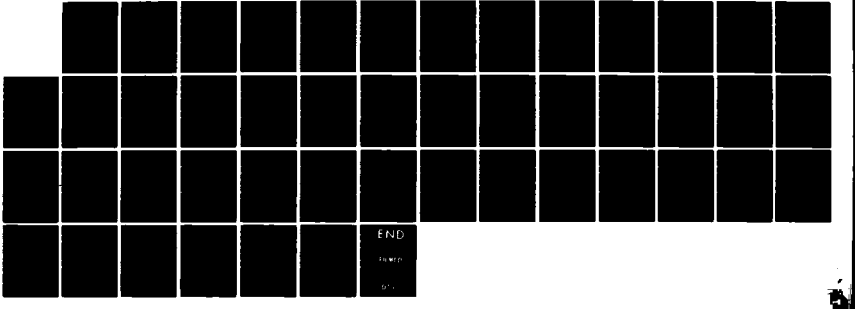

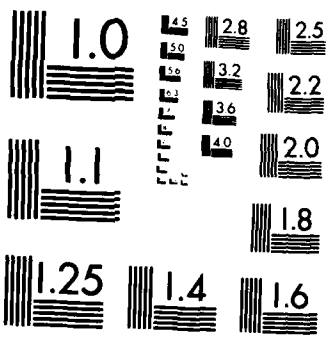

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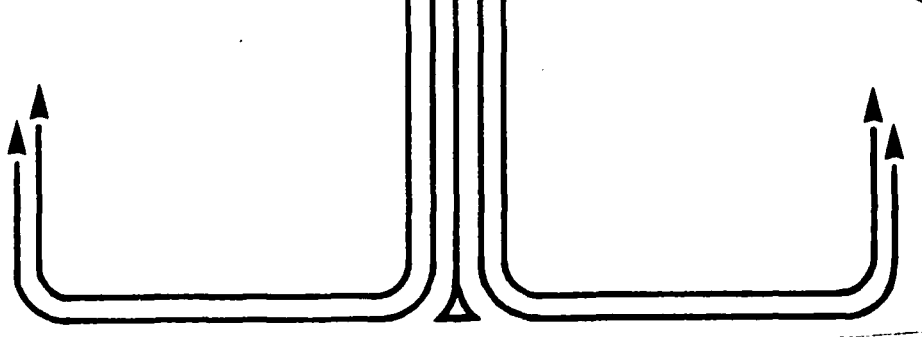
STUDENT REPORT

A HANDBOOK FOR ENTRY-LEVEL SYSTEM BUYERS: THE ROLE/RELATIONSHIP OF THE CONTRACTING OFFICER AND PROGRAM MANAGER AND THE SPO'S INTERFACES

MAJOR RICHARD P. FOLEY 85-0850

"insights into tomorrow"



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REPORT NUMBER 85-0850

TITLE A HANDBOOK FOR ENTRY-LEVEL SYSTEM BUYERS: THE ROLE/RELATIONSHIP OF THE CONTRACTING OFFICER AND PROGRAM MANAGER AND THE SPO'S INTERFACES

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Submitted to the faculty in partial fulfillment of requirements for graduation.

AIR COMMAND AND STAFF COLLEGE
AIR UNIVERSITY
MAXWELL AFB, AL 36112

REPORT DOCUMENTATION PAGE

1a REPORT SECURITY CLASSIFICATION: UNCLASSIFIED	1b. RESTRICTIVE MARKINGS
2a SECURITY CLASSIFICATION AUTHORITY	3. DISTRIBUTION/AVAILABILITY OF REPORT
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE	
4 PERFORMING ORGANIZATION REPORT NUMBER(S): 85-0850	5. MONITORING ORGANIZATION REPORT NUMBER(S)
6a NAME OF PERFORMING ORGANIZATION: ACSC/EDCC; 6b. OFFICE SYMBOL (If applicable)	7a. NAME OF MONITORING ORGANIZATION
6c. ADDRESS (City, State and ZIP Code): Maxwell AFB AL 36112	7b. ADDRESS (City, State and ZIP Code)
8a. NAME OF FUNDING/SPONSORING ORGANIZATION; 8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER
8c ADDRESS (City, State and ZIP Code)	10. SOURCE OF FUNDING NOS.

PROGRAM ELEMENT NO.	PROJECT NO.	TASK NO.	WORK UNIT NO.

11 TITLE (Include Security Classification): A HANDBOOK FOR ENTRY-LEVEL SYSTEM

12. PERSONAL AUTHOR(S): Foley, Richard P., Major, USAF

13a. TYPE OF REPORT	13b. TIME COVERED	14. DATE OF REPORT (Yr., Mo., Day)	15. PAGE COUNT
	FROM _____ TO _____	1985 April	43

16 SUPPLEMENTARY NOTATION: ITEM 11: BUYERS: THE ROLE/RELATIONSHIP OF THE CONTRACTING OFFICER AND PROGRAM MANAGER AND THE SPO'S INTERFACES (U)

17 COSATI CODES			18. SUBJECT TERMS (Continue on reverse if necessary and identify by block number)
FIELD	GROUP	SUB. GR.	

19 ABSTRACT (Continue on reverse if necessary and identify by block number)

This handbook is designed and organized to provide the entry-level system buyer with a clear understanding of the role and relationship between the contracting officer and program manager. Furthermore, it is designed to familiarize the new buyer with the many interfaces that take place between the SPO and other organizations during the acquisition of a major system. The handbook examines the program manager's acquisition responsibility and the contracting officer's authority and responsibilities. In addition, this handbook looks at the major events and documents in the source selection process; furthermore, it explains a representative SPO's organization and the responsibilities of the primary directorates found in a SPO.

20 DISTRIBUTION/AVAILABILITY OF ABSTRACT: UNCLASSIFIED/UNLIMITED ☐ SAME AS RPT ☒ DTIC USERS ☐	21 ABSTRACT SECURITY CLASSIFICATION: UNCLASSIFIED
22a NAME OF RESPONSIBLE INDIVIDUAL: ACSC/EDCC Maxwell AFB AL 36112	22b TELEPHONE NUMBER (Include Area Code): (205) 293-2483; 22c OFFICE SYMBOL

PREFACE

The new systems buyers in a System Program Office (SPO) have traditionally learned how to do their job by working with more experienced buyers and/or contracting officers. Although adequate, there are some disadvantages to this method. First, there is little standardization in the amount, quality, or effectiveness of the training provided. Secondly, this method assumes that the trainer has the time, patience, and expertise necessary. Lastly, this method is hindered by the constant shortage of experienced buyers. Because of this shortage a number of junior/new Air Force systems buyers are being thrust into important and responsible buying positions with little or no overlap with experienced buyers.

I have personally realized the frustration of being the new guy on the block and trying desperately to understand the operation of the SPO. Furthermore, I was a fully qualified buyer (AFSC 6534) not an entry-level buyer (AFSC 6531). I had worked in base contracting, but somehow I didn't feel fully qualified to buy a multimillion dollar weapon system. I didn't understand the operations of the SPO, particularly, the role and relationship between the contracting officer and program manager; furthermore, I was unfamiliar with the interfaces that took place between the SPO and other organizations. This handbook, therefore, is an attempt to provide the inexperienced systems buyer with an understanding of the role and relationship between the contracting officer and program manager; furthermore, it will familiarize you with the interfaces that take place between the SPO and other organizations.

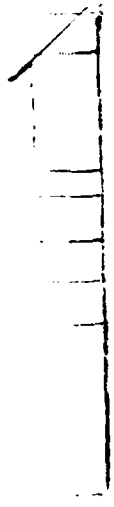
Having worked in a SPO for 3 years (as a buyer, contracting officer, and division chief) and seeing the same frustration of other inexperienced buyers I believe, along with my sponsor, that this handbook is needed to enhance the operation of the SPO. Due to the shortage and experience level of manpower, entry-level buyers are being tasked with the responsibility of buying multimillion dollar weapon systems. Therefore, they need to understand the role and relationship between the contracting officer and the program manager and be familiar with the SPO's interfaces so they will quickly become effective SPO assets.

CONTINUED

I want to express my sincere appreciation to the people in the Directorate of Contracting, Airborne Warning and Control System (AWACS) program office for their administrative support during the preparation of this handbook. I want to particularly thank Mr. Edward J. Kern. In addition, I want to thank my advisor, Major Charles E. Mabry, for his patience and helpful comments. Lastly, the author's overriding debt is to his wife, Lorraine, who read, criticized, corrected, and typed this handbook.

ABOUT THE AUTHOR

Major Richard P. Foley has over nine years of experience in the contracting and acquisition career field, with five years in base level contracting and four years in systems contracting. He served as a contracting officer and branch chief in the Base Contracting Division at Vandenberg AFB. Major Foley also served as a base contracting inspector for the Inspector General, Headquarters Strategic Air Command. He was also stationed at AVCO Systems Division in the Education-with-Industry program. Major Foley's most recent assignment was at Electronic Systems Division. There he worked as a buyer, a contracting officer, and a division chief for the Directorate of Contracting in the AWACS program office. Major Foley is a graduate of Northeastern University Boston, Ma. and has a masters degree from Missouri State University in Business Administration. He is a resident graduate of Squadron Officers School and has completed Air Command and Staff College by correspondence.



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INTRODUCTION

Background

You are about to become an important member of an Air Force team responsible for the design, development, production, testing, and deployment of major systems. Your first task is to become familiar with the acquisition process and terminology as well as your organization, its mission, and your responsibilities concerning that mission. Furthermore, due to the shortage and experience level of buyers, entry-level buyers are being tasked with the responsibility of acquiring multimillion dollar weapon systems. Consequently, to quickly become effective SPO assets, entry-level buyers need to understand the role and relationship between the contracting officer and the program manager and be familiar with the SPO's interfaces.

Purpose and Overview

This handbook is designed and organized to provide the entry-level/inexperienced systems buyer with a clear understanding of the role and relationship between the contracting officer and the program manager. Furthermore, it will familiarize you with the interfaces that take place between the SPO and other organizations during the acquisition of major systems. Chapter Two explains acquisition responsibility and the contracting officer's authority and responsibilities; furthermore, this chapter looks at the major events and documents in the source selection process and the role of the contracting officer and program manager in this process. Chapter Three looks at the organization of a SPO; in addition, it reviews the responsibilities of the program manager and the primary organizations found in a representative SPO. Next, Chapter Four examines the relationship between the contracting officer and the program manager. Chapter Five describes the main interfaces that take place between the SPO and other organizations. The last chapter, Chapter Six, gives you some suggestions to help you become an effective buyer, thereby enhancing program effectiveness.

Chapter Two

CONTRACT MANAGEMENT

ACQUISITION RESPONSIBILITY

Introduction

We all know the contracting officer is a key player in the acquisition process and in the SPO. However, do you know who has the acquisition responsibility within the SPO, the contracting officer or the program manager? Before I answer this question let's look at the following: What acquisition authority is; the authority and responsibilities of the contracting officer; and finally, the acquisition responsibilities of the program manager. After I have answered the above question I'll discuss the major events and documents in the source selection process and the role of the contracting officer and program manager in this process.

Acquisition Authority.

The Federal Acquisition Regulation (FAR) points out that the basic authority to acquire supplies and services is contained in Title 10, United States Code. Furthermore FAR 1.601 states the following:

> The authority and responsibility to contract for authorized supplies and services are vested in the agency head.* The agency head may establish contracting activities and delegate to heads of such contracting activities broad authority to manage the agency's contracting functions. Contracts may be entered into and signed on behalf of the Government only by contracting officers. In some agencies a relatively small number of high level officials are designated contracting officers solely by virtue of their positions. Contracting officers below the level of a head of a contracting activity shall be selected and appointed under FAR 1.603.

* Generally, the agency head is the MACOM Commander.

Contracting Officer's Authority

Next, let's look at what the contracting officer's authority is. For example, FAR 1.602-1 states the following:

> (a) Contracting officers have authority to enter into, administer, or terminate contracts and make related determinations and findings. Contracting officers may bind the Government only to the extent of the authority delegated to them. Contracting officers shall receive from the appointing authority (see FAR 1.603-1) clear instructions in writing regarding the limits of their authority. Information on the limits of the contracting officers' authority shall be readily available to the public and agency personnel.
> (b) No contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals have been met.

Contracting Officer's Responsibilities.

Now, let's see what the FAR says are the responsibilities of the contracting officer.

> Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interest of the United States in its contractual relationships. In order to perform these responsibilities, contracting officers should be allowed wide latitude to exercise business judgement. Contracting officers shall-- (a) Ensure that the requirements of FAR 1.602-1(b) have been met, and that sufficient funds are available for obligation; (b) Ensure that contractors receive impartial, fair, and equitable treatment; and (c) Request and consider the advice of specialists in audit, law, engineering, transportation, and other fields, as appropriate. (11:1-5)

Since we've looked at what acquisition authority is and what the contracting officer's authority and responsibilities are, let's now see what the program manager's acquisitions role is.

Program Manager's Acquisition Responsibilities.

The program manager is the focal point of the acquisition process. DOD Directive 5000.1, "Major System Acquisitions," points out that the program manager is responsible for acquiring

and fielding a weapon system. (7:11) In addition, AFSCP 800-3, "A Guide for Program Management," para 7-2 states "...there are many types of acquisitions that the program manager is responsible for." Furthermore, para 7-5 of AFSCP 800-3 states "...the program manager has complete responsibility for the successful accomplishment of all matters related to his program." Are the above statements in conflict with the FAR's statements on the contracting officer's authority and responsibilities? No, because the program manager is the individual responsible for all technical and business decisions including contractual decisions. However, actually signing the contract is the responsibility of the contracting officer, since only a contracting officer can bind the Government. Nevertheless, it is the program manager who is the actual and final decision authority by virtue of assigned decision making responsibilities. (2:52) Consequently, the program manager has acquisition responsibility within the SPO and the contracting officer has the authority to enter into contracts and bind the government. The contracting officer works for the program manager. In Chapter Four we'll look more closely at this working relationship. However, for now I'll describe some major events and documents in the source selection process and the role of the contracting officer and program manager in this process.

THE SOURCE SELECTION PROCESS

The next few pages will explain some of the major events and documents in the source selection process and the role of the contracting officer and program manager in this process. This section is not designed to describe in detail each step of the contracting process for an individual program, since each program and contract is unique. Furthermore, some of the events are only required if they fall above a certain dollar threshold. The following events/documents are listed in chronological sequence beginning with the Business Strategy Panel. Furthermore, throughout this source selection process the term program manager is used. However, depending on the SPO and program involved a project officer may be assigned by the program manager to perform these tasks. (Chapter Three will discuss the role of the project officer in more detail)

Business Strategy Panel

The Business Strategy Panel (BSP) is an advisory panel established to offer ideas and suggestions on the business approach and acquisition strategy for programs and to highlight potential pitfalls. (4:1) Depending on the dollar amount of the acquisition, the BSP is chaired by the Chief of the Contracting Office or is co-chaired by the Deputy for Contracting and the applicable Mission Deputy. A BSP may also be required at HQ AFSC for high level interest and/or extremely large dollar programs. (4:3) The program manager and contracting officer/buyer jointly

develop and present a briefing to the BSP as soon as possible after the SPO receives program initiation from HQ AFSC. Usually, representatives from other staff and user organizations participate. (Manufacturing, Configuration, Logistics, etc.)

Determination and Findings

> Determination and Findings (D&F) means a special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings." The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation. (11:15-9)

For example, one type of D&F is a document which justifies entering into a contract by negotiation rather than by formal advertising. A D&F is usually for a single acquisition; however, FAR 15.303 describes procedures for use of a class D&F. "A class D&F authorizes negotiation of classes of purchases or contracts. A class may consist of the same or related supplies or services, or require essentially identical justification under the same negotiation authority." The D&F is prepared by the contracting officer after the BSP but before a solicitation is issued. The D&F is signed by the appropriate official in accordance with agency regulations. (11:15-9) In addition, before the D&F is signed it goes through a maze of reviews. Depending on the negotiation exception and the dollar amount of the acquisition, the approval of the D&F can take between 30-120 days especially if Secretarial approval is required. See Appendix A for sample D&F.

Contract Strategy Paper

The Contract Strategy Paper (CSP) provides an outline of what you are buying and the acquisition approach. It must be prepared and forwarded to HQ AFSC for approval prior to release of a Request for Proposal (RFP) for contracts requiring HQ AFSC approval. (6:14) (Competitive Firm Fixed Price (FFP) contracts are exempt from this requirement.) The contracting officer is responsible for the preparation of the CSP; however, the document is coordinated through the SPO, program manager, and the Deputy for Contracting. The CSP is prepared after the BSP and should be forwarded to HQ AFSC a minimum of 30 days before RFP release. (6:14) See Appendix B for sample CSP.

Statement of Work and Specifications

The Statement of Work (SOW) describes the work to be performed. In other words, the SOW tells the contractor what tasks are to be performed (e.g., planning, designing,

fabricating, testing). The program manager is responsible for developing the SOW with inputs from engineering and other organizations.

Specifications are established as part of the contract for the technical requirements of the item being acquired. The specifications tell the contractor what the system must be designed to do (e.g., performance characteristics, reliability, maintainability). Contractors organize their technical proposals based on the contract specifications. Like the SOW, the program manager, with inputs from engineering and other organizations, is responsible for developing the specifications. Poorly prepared specifications and/or SOW can lead to confusion and unnecessary changes to the contract, unnecessary litigation, and/or strained contractor/Air Force relations. Therefore, the contracting officer must ensure they are accurate before they are released to industry.

Contract Data Requirements List and Work Breakdown Structure

The Contract Data Requirements List (CDRL) tells the contractor what data the contractor is to deliver and when. The CDRL is developed in conjunction with the SOW, and the program manager is responsible for developing the CDRL with assistance from the Configuration Management Directorate. The CDRL is accomplished by receiving inputs from participating organizations and supporting commands via a procedure called a "data call." (8:2) To avoid possible problems with the Data Review Board, the CDRL should be tailored to eliminate unnecessary data items. See Appendix C for sample CDRL.

The Work Breakdown Structure (WBS) is a document which describes the subsystems that make up the whole system being acquired. This document helps ensure no tasks are overloaded and lets everyone know what type of work and products will be required. (10:1) The WBS also provides the framework for cost estimating, budgeting/programming, and scheduling. Like the CDRL, the WBS is usually developed in conjunction with the SOW. The program manager is responsible for developing the WBS with the assistance of the Program Control and Engineering Directorates.

The Model Contract

A model contract is an unexecuted contract that informs the prospective offerors of the terms and conditions of the contract to be awarded. The buyer/contracting officer, in conjunction with the Contract Writing Office, is responsible for the preparation of the document. The specification, SOW, and CDRL are essential to completion of the model contract, and along with them, are released as part of the RFP package.

The Source Selection Plan

The Source Selection Plan (SSP) establishes screening criteria, evaluation criteria, source selection organization, evaluation procedures, the schedule, and describes the acquisition process. (9:7) The program manager is responsible for preparing the SSP with assistance provided by the contracting officer. The SSP should be prepared 60 days before RFP release. The plan must be approved by the Source Selection Authority (SSA)* after coordination through the buying office, SPO director, chairman Source Selection Advisory Council (SSAC), and Deputy for Contracting.

*The official designated to select the winning contractor. See AFR 70-15 for more specific details.

Source Selection Evaluation Criteria and Information For Proposal Preparation (IFPP)

The evaluation criteria consist of areas, items, and factors which are used by the Source Selection Evaluation Board (SSEB) to evaluate proposals. (9:8-9) These criteria form the basis for Section M (Evaluation Factors for Awards) of the RFP.

On the other hand, the IFPP provides specific guidance to offerors as to the content and outline to be followed when preparing their proposals. The IFPP is placed in Section L of the RFP. The program manager or SSEB chairman is responsible for preparing the evaluation criteria and IFPP with assistance from the contracting office and members of the SSEB. The evaluation criteria and IFPP must be approved by the SSAC.

Solicitation Review Panel

The Solicitation Review Panel (SRP), better known as a "Murder Board," evaluates RFPs on selected major acquisitions prior to release to industry. This procedure ensures RFPs reflect desired program objectives consistent with current acquisition, contracting, and manufacturing policy. (6:1) Usually, the Director of the Procurement Committee, within the Deputate for Contracting, acts as panel chairperson, with the program manager, contracting officer, legal officer, finance officer, and personnel from other staff areas as applicable, as panel members. The program office should distribute a complete RFP package to each panel member at least 5 working days before the SRP convenes. Usually, during the Business Strategy Panel (BSP) a determination is made whether a SRP is necessary.

Initial Evaluation/Competitive Range Determination

Proposals are evaluated against the requirements of the RFP according to the approved evaluation criteria and standards. Usually, the contracting officer requests the cognizant contract administration service (CAS) to perform an audit and price analysis of the subject proposals. Also, the Defense Contract Administration Service (DCAS) is tasked with performing a pre-award survey to determine if the contractor is responsible and able to do the job. The SSEB chairperson or program manager (sole source acquisition) is responsible for the evaluation process.

All proposals with a reasonable chance of being selected must be included in the competitive range. For a competitive action, the competitive range is determined by the contracting officer based on cost and technical considerations. If any offeror is eliminated from the competitive range, the decision must be approved by the SSA. The objective is not to eliminate proposals from the competitive range, but to facilitate competition by conducting negotiations with all offerors who have a reasonable chance of being selected for an award. (9:12)

Negotiations

The purpose of negotiations is to allow offerors the opportunity to understand the Government's requirement and for the Government to understand the offerors' design approach. Negotiations include the issuance of Clarification Requests (CRs), Deficiency Reports (DRs), Points for Negotiations (PFNs), and face to face discussion. The ground rules and duration are contingent upon such factors as technical complexity, dollar value, time constraints, etc. All negotiations are controlled and conducted when proposal evaluation is complete and a negotiation objective is established. Depending on the dollar value of the proposal, a formal prenegotiation presentation to review and approve the Government's objective may be required. (see local directives)

Best and Final Offers

Best and Final Offers (BAFOs) afford offerors their final opportunity to amend proposals. BAFOs are requested at the conclusion of negotiations. (9:3) The contracting officer is responsible for having a contract prepared for each offeror. The execution and submission of the contract by the offeror constitute the best and final offer.

SSEB Evaluation Report

The Source Selection Evaluation Board (SSEB) Evaluation Report contains evaluation standards, detailed narrative assessments of each proposal against these standards, contractual features, and summary appraisals of significant strengths, weaknesses, and risks of each proposal. (9:13) The SSEB chairperson is responsible for the SSEB Evaluation Report. Normally, the program manager is designated SSEB chairperson. The SSEB evaluation begins with receipt of proposals and ends when the final report and briefing are presented to the SSAC. The SSEB Evaluation Report is completed after evaluation of all BAFOs.

SSAC Analysis Report

The Source Selection Advisory Council (SSAC) Analysis Report is a comparative analysis of the competing offerors based on the SSEB Evaluation Report and contains sufficient in-depth information to allow the Source Selection Authority (SSA) to make an objective selection decision. (9:13) The SSAC chairperson is responsible for developing and submitting the report after review of the SSEB report and briefing. However, in reality the SSEB writes the report for review and approval by the SSAC. Furthermore, the chairperson SSEB, the price analyst, and the contracting officer normally brief the SSA under the guidance and direction of the SSAC.

SSA Selection

The Source Selection Authority (SSA) evaluates the SSAC Analysis Report and the summary SSEB report and selects the offeror with whom the Government will contract. The SSAC is responsible for preparing the Source Selection Decision Document (SSDD) for the SSA's signature. (9:14) Subsequently, once the SSA signs the SSDD the contracting officer has the authority to sign the contract.

In summary, we've looked at what acquisition authority is, what authority and responsibilities the contracting officer has, and how the program manager has overall acquisition responsibility within the SPO. In addition, we've looked at some of the major events and documents in the source selection process. In the next chapter I'll discuss the organization of a SPO and review the responsibilities of the program manager and the primary organizations in a representative SPO.

Chapter Three

PROGRAM MANAGEMENT

Introduction

This chapter looks at the organization used by Air Force Systems Command (AFSC) in the management of systems acquisition--the System Program Office (SPO). In discussing the SPO I'll first define it, list the ways it can be established, look at the organization and some factors used in determining a SPO's configuration, and finally, I'll discuss the responsibilities of the program manager (PM) and the primary organizations found in a representative SPO.

The System Program Office

A System Program Office is defined as,

> ...a formal Air Force organization established for acquiring a system within cost, schedule, performance, and priority parameters established by DOD. The SPO is headed by a Program Manager (PM) who is responsible for overall program management. The PM is supported by a group of functional specialists. (3:20-1)

Furthermore, a SPO can only be established in one of the following three ways:

1. By the direction of HQ USAF.
2. By the direction of the AFSC Commander.
3. By the direction of the Commander of a Product Division. (ASD,ESD, etc.) (3:20-1)

There is no such thing as a "typical SPO" and there is no best way to organize one. Usually, the program manager tailors the SPO organization and management systems to the particular needs of the program. (See figure 1 for a representative SPO.) A SPO is supported by groups of functional specialists who either are assigned directly to the SPO or are members of the functional staff of the product division. A SPO is organized based on a combination of factors:

1. The acquisition strategy, such as design-to-cost or competitive prototype.

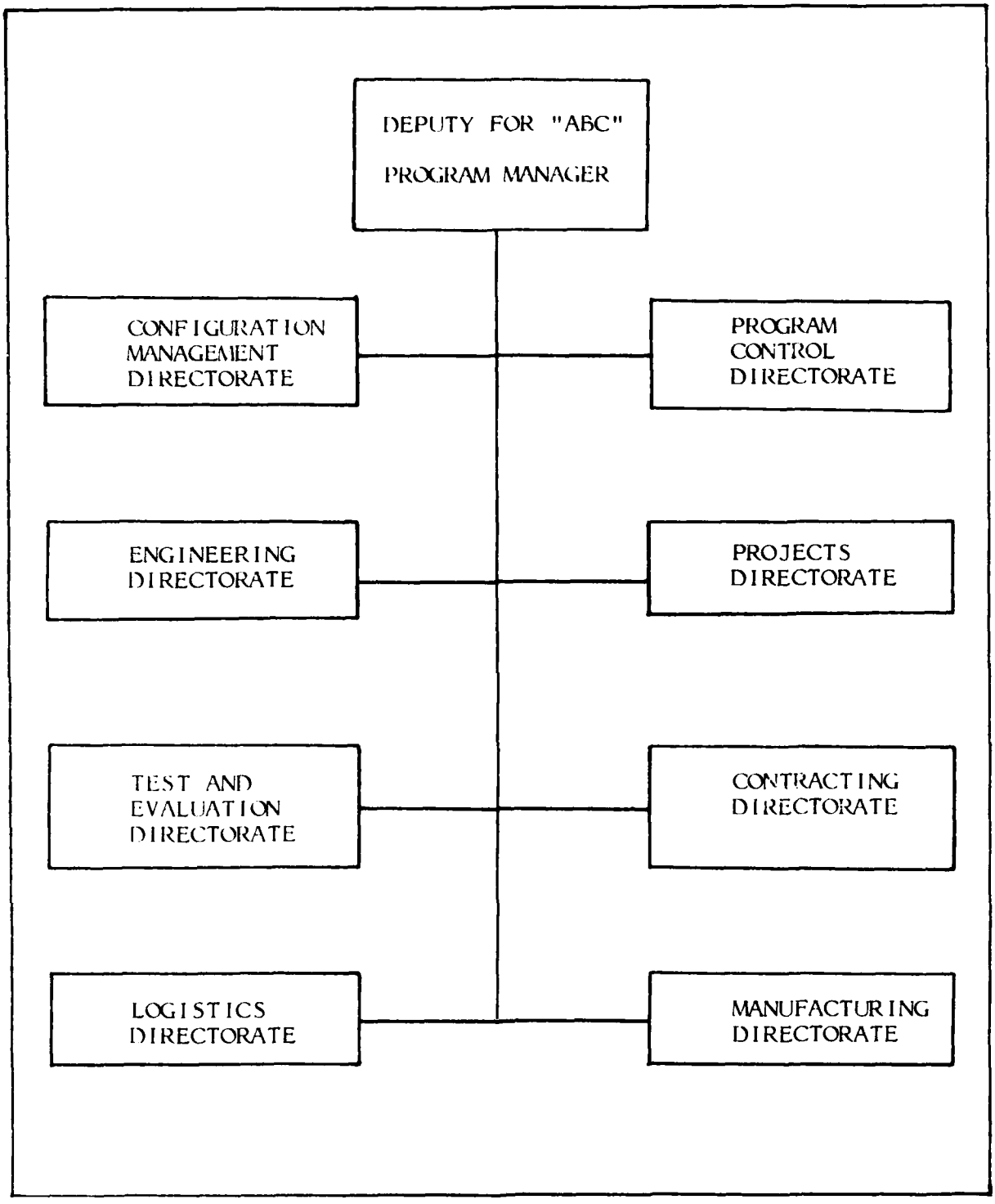

Figure 1. A Representative SPO Organization

2. The PM's overall concept or philosophy to be applied in managing his/her program.
3. The nature of the program, including the size, scope, estimated cost, complexity, duration, priority, and national importance.
4. Manpower and personnel considerations. (3:20-1)

I will now outline the main responsibilities, as specified in Chapter 20 of AFSCP 800-3, "A Guide for Program Management," for the functions of a representative SPO.

The Responsibilities

Program Manager.

The PM is the individual, military or civilian, responsible for managing all activities concerned with planning and executing the program. His/her functional responsibilities are those common to top level executives everywhere; that is, planning, organizing, coordinating, controlling, and directing. The program manager ultimately makes all technical, administrative, business, and contractual decisions. Although he/she accomplishes many of these tasks through his/her subordinate offices, the PM cannot delegate his/her overall responsibility for the program. In the final analysis, the PM is responsible for the total program while holding subordinates responsible for specific tasks or objectives. The PM stands in a position to receive credit for successful accomplishments or to accept responsibility for failure.

Program Control Directorate.

This directorate is responsible to the PM for overall program planning, programming, progress tracking, status accounting, trend analysis and prediction reporting, documentation, and financing. The Program Control Directorate is the nerve center of the SPO through which the PM maintains management control, surveillance, and understanding of his/her program. The directorate operates to ensure all aspects of the program are properly planned, funded, interfaced, and integrated. The activities of this directorate cut across every aspect of the program.

Configuration Management Directorate.

This directorate is responsible to the PM for maintaining systems specifications, for controlling hardware and software configurations, and for all data management activities. In addition, this office manages the configuration control board activities and all engineering change proposals.

Engineering Directorate.

This directorate is responsible to the PM for providing the overall technical direction for the design and development of the system. The engineers represent the SPO's counterpart to the contractor's engineering staff. Working closely with technical consultants, the engineering office monitors the contractor's technical efforts. This includes participating in design reviews and audits, evaluating technical proposals, reviewing design analysis, and spearheading the resolution of system design deficiencies.

Manufacturing Directorate.

The Manufacturing Directorate is responsible to the PM for managing the manufacturing efforts included in the systems acquisition. These responsibilities include the monitoring of the contractor's production planning and ensuring the contractor's capabilities are adequate to support the production effort. Monitoring the contractor's use of manpower, overtime, scheduling, quality control, and overall manufacturing progress are just some of the Manufacturing Directorate's responsibilities.

Test and Evaluation Directorate.

After the system has been designed and fabricated, the major subsystems and the entire system must be tested. Consequently, the Test and Evaluation Directorate is responsible to the PM for planning, coordinating, and managing the overall system test efforts. Their efforts include reviewing and approving the contractor's test plans, test procedures, and test reports. The Test and Evaluation Directorate is also the SPOs focal point for ensuring adequate planning is provided to support the operational test and evaluation efforts.

Logistics Directorate.

This directorate is responsible to the PM for overall logistics of the system. Personnel assigned to this directorate ensure adequate attention is given to such things as reliability and maintainability as well as other factors which will affect the total cost of operating the system throughout its life. Furthermore, for those systems that will be logistically supported by AFLC, the Logistics Directorate will consist of personnel from both AFSC and AFLC. This procedure gives AFLC the opportunity to be in on the ground floor of the system's development. Furthermore, this procedure helps to ensure that AFLC has the ability to satisfactorily manage and support the system after it is deployed to the using command.

Contracting Directorate.

The Contracting Directorate is responsible to the PM for all aspects of the contracts between the Government and industry. This includes writing, negotiating, issuing, and modifying contracts. As discussed in Chapter Two, the PM has overall responsibility for the program and is therefore ultimately responsible for the contract. However, the contracting officer is the only individual with the authority to sign his/her name to the contract and legally bind the government. The contracting officer must ensure all contractual actions are in accordance with Public Laws and the Federal Acquisition Regulation (FAR) and supplements.

Projects Directorate.

Many SPOs are organized to include a group of personnel called project officers. Under this organization the total system being developed by the SPO is broken down into several sub-systems or projects. The project officer acts as a mini-program manager. Although overall program management responsibility is still retained by the PM, the project officer ensures necessary support from all the offices within the SPO is obtained. The extent of the project officer's authority will be determined by the PM.

In summary, we've looked at AFSC's procedure for managing systems acquisition--the SPO. I've discussed what a SPO is, how it is established, the organization and some factors used in determining its configuration, and the responsibilities of the program manager and primary directorates. Remember, the internal organization of the SPO is the prerogative of the program manager. The PM may consolidate functions such as test and evaluation and engineering. However, regardless of how your SPO is organized, the functions identified in Figure 1 will exist.

Chapter Four

THE RELATIONSHIP

Introduction

This chapter first examines the program manager's program authority. Then, I'll describe why I believe a cooperative relationship usually exists between the contracting officer and program manager. Lastly, we'll look at how a matrix organization can break down this cooperative relationship.

Program Authority

As mentioned in Chapters Two and Three, the PM is the individual ultimately responsible for a particular program/project including the contractual aspects. The PM is given this formal authority and responsibility by regulations (DODD 5000.1 and AFR 800-2). However, in program management formal authority is not enough for the PM to be successful; therefore, the PM usually uses a combination of authority, power, and influence to accomplish the mission. (12:14) In the book Systems Analysis and Project Management, David I. Cleland defines project authority as "...the legal and personal influence that the project manager exercises over the scheduling, cost, and technical considerations of the project." (1:229) Furthermore, the program manager's authority is neither all de jure (legal or formal) nor all de facto (informal), but rather a combination of authority, power, and influence. Consequently, the program manager finds he/she must emphasize power and influence rather than formal authority to be successful. Program management requires a fine combination of limited formal authority, along with power and influence to keep the project on line and to have a successful program. (12:14)

Program Cooperation

From what I observed and experienced during my three years of working in a SPO, I believe the above analysis to be true and is the reason why a cooperative relationship usually exist between the program manager and contracting officer. Although a situation exists that violates a key management philosophy (responsibility without authority), the system seems to work fairly well. In a way, it's like the checks and balances system we have in our federal government. As I stated above, a

cooperative relationship usually is the case between the PM and the contracting officer. However, this relationship can break down due to organizational conflicts because the contracting officer is a key member of two different organizations.

The Matrix Organization

The matrix organization can cause conflicts for the contracting officer because of dual organization goals and dual bosses. Figure 2 shows a representative product division in which all the manufacturing and contracting functions have been consolidated under separate deputates. In this figure individual manufacturing and contracting personnel are assigned from the common product division deputates to support a particular SPO. This type of organization is called a matrix organization. Consequently, because of this organizational structure the contracting officer is a member of two different organizations. Furthermore, each organization has a different mission. The contracting officer is a member of the Contracting Deputate, whose main concern is the administrative, technical, and legal aspects of the contracting process. On the other hand, the contracting officer is also assigned to a particular SPO, whose main concern is to successfully bring on board a weapon system. As a result, the contracting officer can run into conflicts in trying to accomplish both goals, since the contracting officer must respond to two managers who may have different ideas in accomplishing the missions. (12:27-28) In summary, because of the matrix organization the contracting officer finds himself/herself subordinate to the program manager as well as the Deputy for Contracting. This organizational structure violates another key principle of management philosophy which states an individual should be responsible to only one manager. Consequently, the contracting officer's day can be a complicated one with conflicting situations. He/she must learn to cope and balance the situations as the need arises.

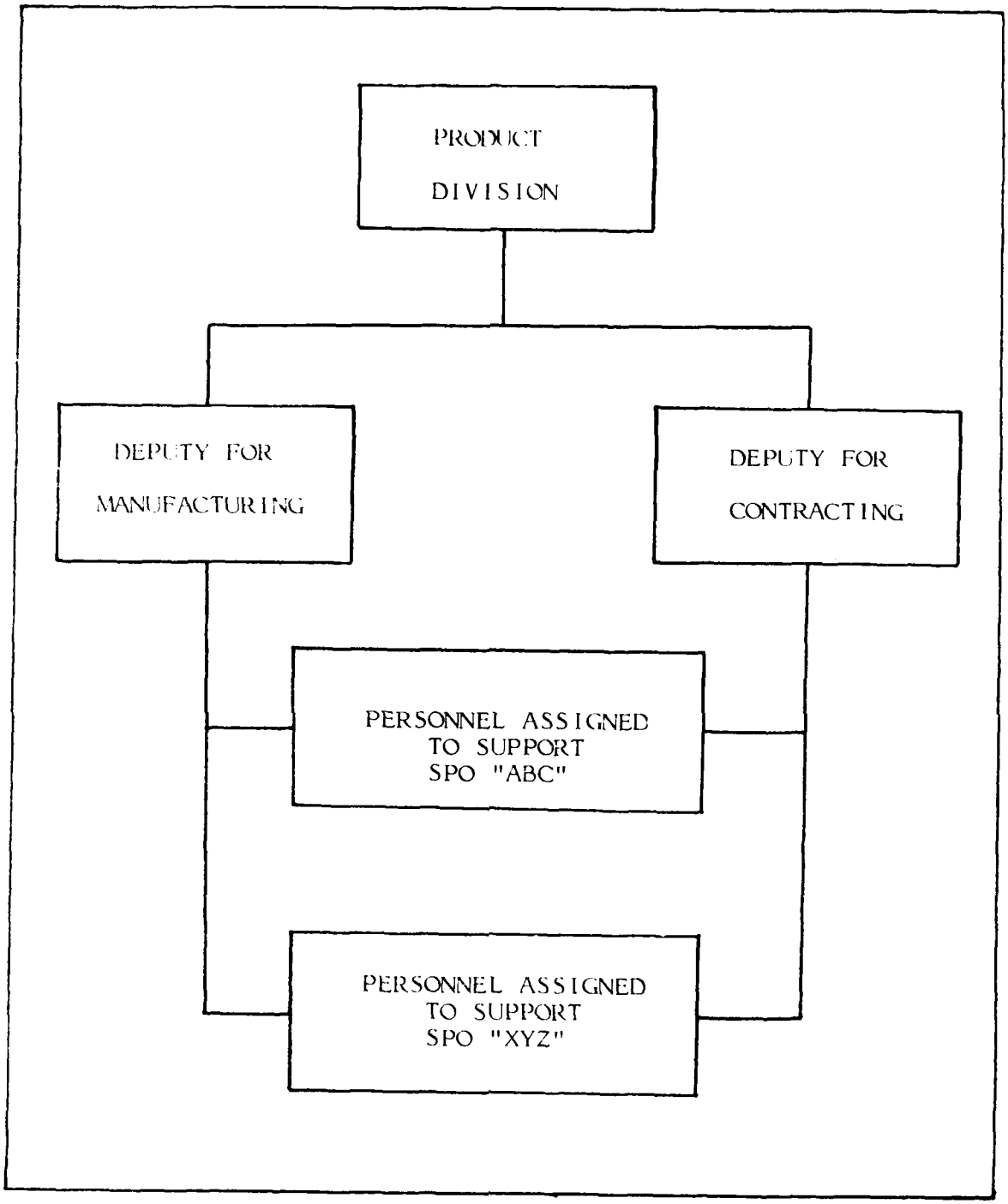

Figure 2. A Matrix Organization

Chapter Five

THE INTERFACES

Introduction

During a major system acquisition there will be interaction between the SPO and other organizations. Figure 3 shows many of these interfaces. Others may exist depending on the nature of your program. However, the following are examples of the main interfaces that take place between the SPO and other organizations.

The SPO and Other Organizations

HQ USAF and HQ AFSC.

A program element monitor (PEM) is assigned within the Air Staff to be the HQ USAF focal point on all matters concerning a particular program. At HQ AFSC a systems officer (SYSTO) is the focal point. (3:6-13) These two individuals work very closely with the SPO's program manager on policy and funding issues.

The Contractors.

The main interface that takes place between the contractors and the SPO is usually through the Contracting Directorate. This is particularly true during proposal preparation, negotiations, source selection, and contract modifications. However, because of the nature and size of many programs, all disciplines in the SPO must coordinate and interact with their counterparts in industry. The prime contractor, however, is responsible for interfacing and managing its subcontractors, if any, in accordance with all Government provisions. The SPO does not directly manage the subcontractor's efforts but manages them indirectly through the prime contractor.

Contract Administrative Service (CAS).

Although the SPO works directly with the prime contractors, most of the duties associated with administration of the contract are performed by a contract administrative service (CAS). The CAS is usually co-located at a contractor's plant and provides the SPO with in-plant visibility of his day-to-day efforts. The following are the different types of CASs. (3:22-1)

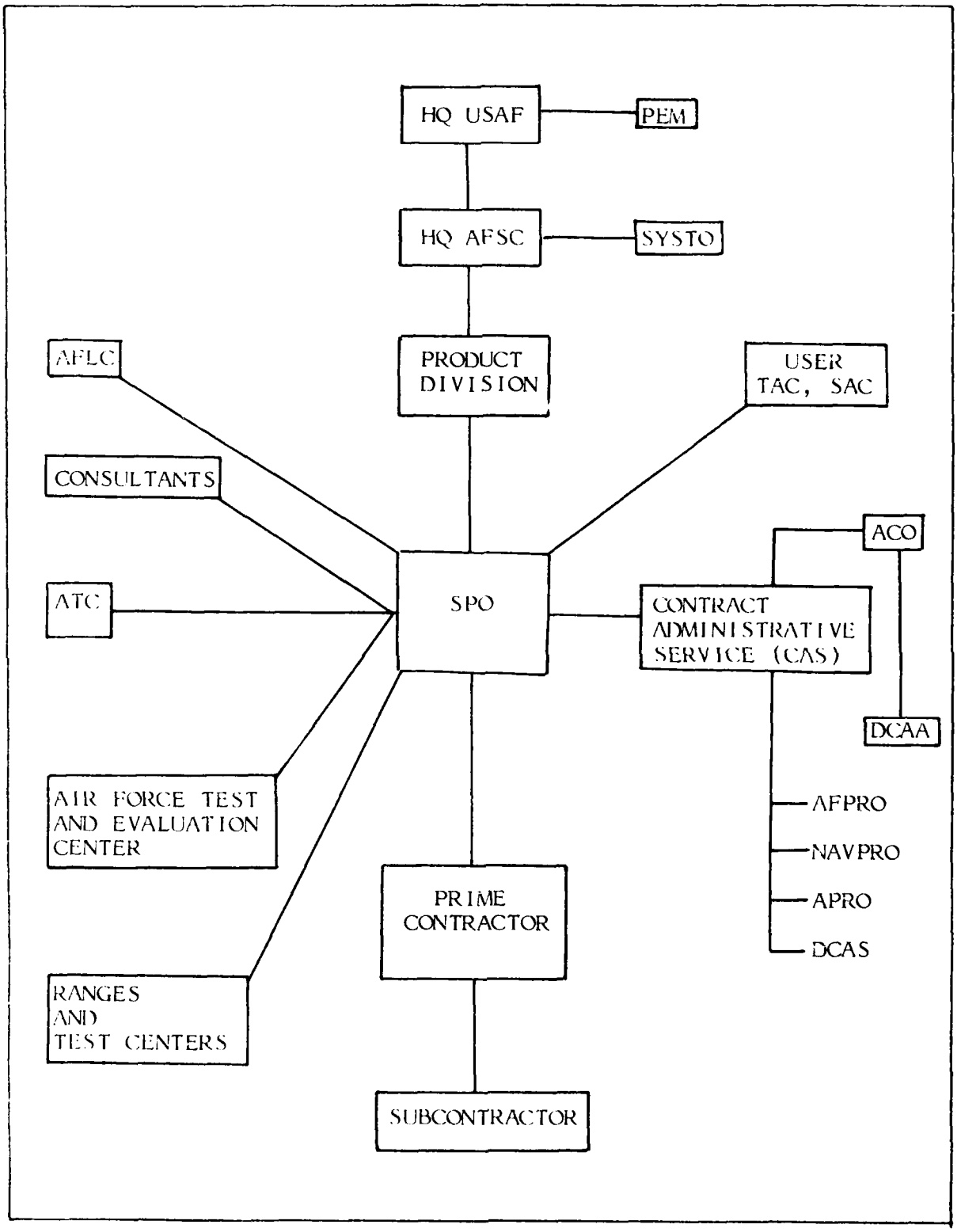

Figure 3. Representative SPO Interfaces

Air Force Plant Representative Office - AFPRO
Defense Contract Administration Service - DCAS
Navy Plant Representative Office - NAVPRO
Army Plant Representative Office - APRO

If the contractor works mainly on programs for the Air Force, then most likely an AFPRO will be co-located in the contractor's plant. Likewise, if the contractor works primarily on Navy or Army programs, then either a NAVPRO or APRO will be co-located with the contractor. When a contractor works on several programs for more than one military service, then a DCAS office is usually co-located with the contractor. If a CAS is not co-located in the contractor's plant, then the nearest CAS to the contractor will provide the contract administrative support for the SPO. An administrative contracting officer (ACO) assigned to a CAS works very closely with the contracting officer at the SPO to ensure the contractor complies with all contractual provisions. On major systems, weekly and even daily conversations between the ACO and the contracting officer at the SPO are common occurrences. The ACO and other CAS personnel support the SPO during all acquisition phases by providing services such as production engineering and management, contract management, industrial management, quality assurance, and enforcement of the industrial security provisions. (3:22-2) Another organization in which the SPO's contracting officer has many dealings with is the Defense Contract Audit Agency (DCAA). The SPO's contracting officer, thru the ACO, request audits of contractor's proposals to ensure a fair and reasonable price is contracted. Furthermore, the SPO's contracting officer, ACO, and DCAA auditors are interacting more today than in the past because of the emphasis being placed by higher authorities on defective pricing by contractors.

The User.

The user (TAC, SAC, MAC, etc.) who originally established the system requirement is vitally interested in the activities of the SPO. Since the user is the one going to operate and maintain the system, it is, therefore, interested in ensuring its requirements are satisfactorily reflected in the system design. Moreover, the user provides the SPO with guidance relative to the performance and schedule needs of the operating command. However, compliance with the user's request often cannot be economically obtained. Trade-offs among cost, schedule, technical risk, system performance, and reliability may have to be made. When this occurs, the user must be consulted and the user usually participates in any trade off decisions. (2:52-53)

Air Force Logistics Command (AFLC).

AFLC provides logistic support and depot level maintenance for many of the systems deployed within the Air Force. For these programs, AFLC personnel will participate as members of the Logistics Directorate within the SPO. The early involvement of AFLC in the acquisition process is essential. This interface ensures consideration is given to the system design and the life cycle cost* of the system. (3:20-20)

*Total cost of the system from conception to disposal.

Consultants.

Because of the mobility of Air Force personnel, there is a great deal of personnel turnover during the acquisition phases. A corporate technical memory within the SPO is provided by the use of resident consultants. These are several types of consultants utilized by the SPO. They consist of non-profit civilian corporations, civilian educational institutions, or profit-oriented contractors hired by the SPO or product division. The resident consultants provide the product division and the SPO with technical expertise in the scientific and engineering fields. These consultants normally provide overall systems engineering and provide recommendations to the SPO on the technical direction of the program. They normally work hand in hand with the SPO engineers. The resident consultant for the Electronic Systems Division (ESD) is the Mitre Corporation, a non-profit company.

Air Training Command (ATC).

ATC is responsible for providing the training necessary to qualify Air Force personnel to operate, maintain, and support the systems deployed within the Air Force. (3:20-14) The prime contractor is usually tasked to provide initial training, operation and maintenance documentation. The SPO works closely with ATC to ensure this documentation and the initial training provided by the contractor is satisfactory.

Air Force Test and Evaluation Center (AFTEC).

Operational Test and Evaluation of Air Force systems is usually performed by AFTEC. Their personnel and facilities are used to provide an independent and realistic operational test and evaluation of the system prior to its deployment to operational commands. AFTEC personnel work closely with the SPO's Test and Evaluation Directorate as well as the user to plan and execute these tests.

Ranges and Test Centers.

Again, personnel assigned to the SPO's Test and Evaluation Directorate may have to provide coordination with the ranges and test centers. Unique, one-of-a-kind test facilities may be required during the test phase of the system acquisition. An aircraft SPO may require the services of special flight test centers while a missile SPO will have to coordinate with organizations that will launch the missile into space.

Chapter Six

SUGGESTIONS

From my experience of working in a SPO, I have developed a list of five suggestions, I believe, if followed will help you become an effective buyer, thereby, enhancing the program and overall effectiveness of the SPO.

1. Know inside out and backwards the projects you are working on. As the buyer/negotiator you should be as familiar with what you are buying as the program manager or anyone else is. Read all the program documents you can and talk with all the key players assigned to the project. Furthermore, don't necessarily rely on the project engineer to handle the technical portions of the program. He/she may be as new/inexperienced as you are; therefore, you should try to learn and understand all you reasonably can about the technical aspects of the project. I remember a case where a buyer agreed to pay almost twice as much for an item than he should have, simply because neither he nor the engineer knew what they were buying. Luckily, the mistake was caught in the review process and corrective action was taken. Remember, you are a buyer/negotiator on a major weapon system not an order clerk.

2. Know the SPO's organization and all the key players involved with the projects you are working on. Obtain a copy of, or develop your own organization chart of the internal organization of your SPO. Furthermore, list points of contact and their telephone numbers for the key players. Ask each one of them about their jobs; what they do, how they support you, and how you support them. Establish good working relations with them early in your job assignment, and you will, hopefully, avoid serious conflicts later. Besides knowing the key players in the SPO, you'll need to know the key players in the contractor's organization, CAS organization, and other organizations that have interfaces with your program. (Refer to Chapter Five). By having made all your contacts early in your assignment you should be able to move through the acquisition maze a little faster and with fewer headaches.

3. Know how to manage your time. As a buyer on a major weapon system you are going to have more actions to do in a day than you believe are possible. Consequently, you need to know how to utilize time. Plan your day. Set priorities and try to

stick with your list. Be punctual. Don't waste time on trivial matters. Procrastination is your worst enemy. If warranted, take a course to improve your reading speed. Best of all, read a book on time management and put it to work.

4. Ask questions. Don't be afraid of this one. You will not be thought less of because you asked too many questions. It's part of the learning process. As you become familiar with your program, begin to question in your own mind if this is the best way to accomplish the objectives. Don't be afraid to improve the way of doing something. An easy trap to fall into is the one that says, "Why not?, we've always done it that way in the past!"

5. Keep your management informed. Don't wait until a problem is at the critical stage before you let some one know about it (e.g. contracting officer, division chief, program manager). Early detection and resolution of problems can save everyone big headaches. Keep a status sheet on each one of your projects and update the major milestones at least weekly and pass it along to management. This procedure not only keeps management informed but even better, it forces you to stay on top of your projects, and you'll be able to detect any problems early in the game.

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GLOSSARY

ACRONYMS AND ABBREVIATIONS

ACO	Administrative Contracting Officer
AFLC	Air Force Logistics Command
AFPRO	Air Force Plant Representative Office
AFSC	Air Force Systems Command
AFTEC	Air Force Test and Evaluation Center
AGE	Aerospace Ground Equipment
ASD	Aeronautical Systems Division
ATC	Air Training Command
BA	Budget Authorization
CAS	Contract Administration Service
CCB	Configuration Control Board
CDR	Critical Design Review
CDRL	Contract Data Requirements List
CFSR	Contract Funds Status Report
CPAF	Cost-Plus-Award-Fee
CPFF	Cost-Plus-Fixed-Fee
CPIF	Cost-Plus-Incentive-Fee
CPR	Cost Performance Report
DCAA	Defense Contract Audit Agency
DCASMA	Defense Contract Administration Service Management Area
DCP	Decision Coordination Paper
D&F	Determination and Findings
DR	Deficiency Report
DSARC	Defense Systems Acquisition Review Council
DDT&E	Design Development Test and Evaluation
DT&E	Development Test and Evaluation
ECP	Engineering Change Proposal
EPA	Economic Price Adjustment
ESD	Electronic Systems Division
FCA	Functional Configuration Audit
FFP	Firm-Fixed-Price
FMS	Foreign Military Sale
FOT&E	Follow-On Test and Evaluation
FPIF	Fixed-Price-Incentive-Firm
FSD	Full Scale Development
FY	Fiscal Year
FYDP	Five Year Defense Program
GFP	Government Furnished Property

CONTINUED

ICWG	Interface Control Working Group
ILS	Integrated Logistics Support
IOT&E	Initial Operational Test and Evaluation
LCC	Life Cycle Cost
LOA	Letter of Agreement
NAVPRO	Navy Plant Representative Office
MAC	Military Airlift Command
MAJCOM	Major Command
MOA	Memorandum of Agreement
MTBF	Mean Time Between Failure
OPR	Office of Primary Responsibility
OSD	Office of Secretary of Defense
OT&E	Operational Test and Evaluation
PCA	Physical Configuration Audit
PCO	Principle/Procuring Contracting Officer
PDM	Program Decision Memorandum
PDR	Preliminary Design Review
PE	Program Element
PEM	Program Element Monitor
PM	Program Manager
PMP	Program Management Plan
PMRT	Program Management Responsibility Transfer
POM	Program Objective Memorandum
PPBS	Planning, Programming, and Budgeting System
PR	Purchase Request
R&D	Research and Development
RFP	Request for Proposal
RFQ	Request for Quotation
SA	Supplemental Agreement
SAC	Strategic Air Command
SD	Space Division
SDR	System Design Review
SECDEF	Secretary of Defense
SON	Statement of Need
SOW	Statement of Work
SPO	System Program Office
SSA	Source Selection Authority
SSAC	Source Selection Advisory Council
SSEB	Source Selection Evaluation Board
SYSTO	Systems Officer
T&E	Test and Evaluation

CONTINUED

TAC	Tactical Air Command
TCO	Termination Contracting Officer
TCTO	Time Compliance Technical Order
USG	United States Government
VECP	Value Engineering Change Proposal

APPENDICES

APPENDIX

APPENDIX A

Sample Determination and Findings

Department of the Air Force

Determination and Findings

Authority to Negotiate an Individual Contract

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of 10 U.S.C. 2304(a)(10), as implemented by paragraph 15.210(b)(13) of the Federal Acquisition Regulation.

Findings

1. The Air Force Systems Command (HQ ESD) proposes to acquire by negotiation an _____ at an estimated cost of _____. This _____ effort will require the Contractor to fabricate and test the equipment, prepare computer programs, and prepare technical data which includes courseware and lesson units.

2. Acquisition by negotiation of the above described _____ equipment is necessary because it will be necessary for the Contractor to do some design and engineering effort, as well as the preparation of design data and quality assurance procedures. The design data available are incomplete, not sufficiently detailed and largely uncoordinated; and the performance specification is not sufficiently detailed to permit advertised bidding.

3. Use of formal advertising for procurement of the above described equipment is impractical because it is impossible to draft, for a solicitation of bids, adequate specifications, or any other adequately detailed description of the equipment.

Determination

The proposed contract is for property or services for which it is impractical to obtain competition by formal advertising.

APPENDIX

APPENDIX B

SAMPLE CONTRACT STRATEGY PAPER FOR 20 XYZ AIRCRAFT

Business Approach: This acquisition is a follow-on to the first two XYZ production contracts. It will be awarded on a multiyear basis, subject to approval. The Beck Data subsystem of the mission system will be a component breakout.

Risk: Schedule risk is low because the planned production rate is well within Costello's capability.

Technical risk is low because of the Costello Company's substantial and successful experience in the production of the XYZ system.

Cost risk is moderate due to a configuration change (Damm to Williams upgrade). In addition, the component breakout of the Beck Data subsystem (valued at $110M) represents a substantial increase in the amount of Government Furnished Equipment (GFE) that will be provided to Costello with a concomitant increase in integration risk.

Contract Type: A Fixed-Price-Incentive-Firm (FPIF) contract will be negotiated because of:

a. Moderate cost risk.

b. The existence of other FPIF XYZ contracts using the same skilled personnel pools creates an opportunity to improperly allocate costs among contracts if the contracts are on a different pricing basis.

c. Costello is experiencing major business base uncertainties because of potential new programs (Navy's XYZ, England's XYZ, and commercial XYZ). The Air Force XYZ program shares the production line at Balcom with these other military and commercial systems. A FPIF contract will allow the Government to share the benefit of an increased business base if it comes into being; whereas, a FFP contract would be based only on the known business base to date.

CONTINUED

Funds:	50.1M	FY 85	3010
	100.5M	FY 86	3010
	250.0M	FY 87	3010
	125.5M	FY 88	3010

Special Clauses: None

Source Selection: Follow-on to previous design/technical competition to the Costello Company.

APPENDIX C

SAMPLE CONTRACT DATA REQUIREMENTS LIST

CONTRACT DATA REQUIREMENTS LIST

ATCH NR 10 TO EXHIBIT ______ SYSTEM/ITEM MS-AFTI
TO CONTRACT/PR F33657-XX-C-XXXX CATEGORY ______ CONTRACTOR Aero Aircraft Co.

1. SEQUENCE NUMBER	2. TITLE OR DESCRIPTION OF DATA / 3. SUBTITLE		6. TECHNICAL OFFICE			10. FREQUENCY	12. DATE OF 1ST SUBMISSION	14. DISTRIBUTION AND ADDRESSEES	
4. AUTHORITY (Data Item Number)		5. CONTRACT REFERENCE	7.	8.	9.	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION/EVENT ID		
1. 10-007	2. Presentation Material		6. ASD/ENP			10. See 16	12. See 16	14. ASD/ENF	1/1
4. DI-A-3026/M		5. SOW para 6.7.1	7. LT	8. AR	9.	11.	13. See 16		15. TOTAL

16. REMARKS

Blk 4: This DID is modified as follows:

1. Vugraphs shall be on white backgrounds (ref para 10.2).
2. Slides shall be 35 mm (ref para 10.2).
3. Only the reproducible original is required for vugraphs (ref para 10.3).

Blk 8: Approval of data must be received through the contracting officer before any public use of the proposed presentation material is authorized. Approval of data is dependent upon incorporation or reconciliation of comments and recommended changes resulting from the program manager's review.

Blks 10, 12, 13: Submit all new, revised, or changed presentation material 15 working days before intended public use for program manager's review and approval. Submit all presentation materials used in briefings or other presentations concurrently with the briefing or other presentation.

PREPARED BY	DATE	APPROVED BY	DATE

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