

Acquisition Strategy and Contract Execution

Module Overview

Module Overview Acquisition Strategy and Contract Execution

Introduction to Acquisition Strategy and Contract Execution

Page 1 of 2



Approximate Length: 1 hour, 40 minutes

Welcome to the Acquisition Strategy and Contract Execution Module, of the Acquisition Business Management Pre-Course. This module consists of 3 lessons:

1. Acquisition Strategy (25 minutes)
2. Contract Execution Considerations (30 minutes)
3. Statement of Work (SOW) and Statement of Objectives (SOO) (20 minutes)

Located throughout and at the end of these lessons are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

Learning Objectives

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At the completion of this module you should be able to describe, given situational information, the financial manager's role in acquisition program management with respect to the acquisition strategy and monitoring of contract execution.

By completing the lessons, you should also be able to:

- Identify the aspects of the acquisition strategy relevant to financial management.
- Recognize the sections of the uniform contract format that contain information relevant to financial management.
- Identify the purpose of the Statement of Work and the Statement of Objectives.

This page completes the Module Overview. Select a lesson from the Table of Contents to continue.

Acquisition Strategy

Acquisition Strategy

Introduction to Acquisition Strategy

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Approximate Length: 25 minutes

Welcome to the Acquisition Strategy Lesson. This lesson will provide you with basic information about the goals of acquisition strategy, factors that the Program Business Financial Manager (BFM) must consider for ACAT I programs, management of lower acquisition category programs, and the preparation and approval of an acquisition strategy.

Located throughout and at the end of this lesson are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

Learning Objective

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By completing this lesson, you should be able to identify the aspects of the acquisition strategy relevant to financial management.

Acquisition Strategy

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The acquisition strategy describes how a program will be executed and what resources are necessary to support program execution. It should evolve through an iterative process and become increasingly more definitive in describing the relationship of the essential elements of a program.

Goals of Acquisition Strategy

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Primary goals of the strategy should be to:

- Minimize the time and cost of satisfying validated needs.
 - Maximize affordability throughout a program's useful life-cycle.
-

ACAT I Program Business Financial Manager (BFM) Considerations

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DoD acquisition policy describes specific considerations for Program Managers (PMs) in each of the essential elements listed below. Program business financial managers (BFMs) should be aware of all aspects of the acquisition strategy, but are most likely to be involved in developing and tracking the aspects listed below. Learn more about these aspects of acquisition strategy by selecting the following links:

- [Risk Management](#)
- [Cost As an Independent Variable \(CAIV\)](#)
- [Program Resourcing](#)
- [Support Strategy](#)
- [Integrated Contract Performance Management](#)
- [Contract Approach](#)

Risk Management

PMs must identify program risk areas and integrate risk management within overall program management. Cost estimators may be called on to quantify risks in dollar terms. Appropriate "risk dollars" should be inserted into budget lines as part of the overall risk management effort.

Cost As an Independent Variable (CAIV)

The acquisition strategy must include a CAIV strategy to set program cost objectives for RDT&E, production, military construction, operating and support, and disposal costs. Cost management incentives must be devised and included in Requests for Proposal (RFPs) to help achieve CAIV objectives.

Program Resourcing

The acquisition strategy must describe the planned funding approach, including funding under an evolutionary acquisition strategy. Advance procurement funding should be used when necessary to preclude serious and costly fluctuation in program continuity. However, because advance procurement limits the Milestone Decision Authority's (MDA) flexibility, it may only be used with approval of the MDA. This approval usually is given at a milestone decision. Exit criteria for awarding long-lead item contracts must be established as an integral part of the milestone approval process and the approved exit criteria must be satisfied before any advance procurement funding may be released. The initiation of advance procurement in support of long lead material must use a separate initial contract.

Support Strategy

As part of the acquisition strategy, the PM must develop and document a support strategy for life-cycle sustainment and continuous improvement of product affordability, reliability, and supportability, while sustaining readiness. This ensures that system support and life-cycle affordability considerations are addressed and documented as an integral part of the program's overall acquisition strategy. Cost estimators may be called on to assist in assessing support proposals for their impact on total ownership cost.

Integrated Contract Performance Management

Application of Earned Value Management System (EVMS) guidelines (ANSI/EIA-748) is required for all cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$20 million in then-year dollars. In addition, cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements valued at or greater than \$50 million in then-year dollars shall have an EVM system that has been formally validated and accepted by the cognizant contracting officer. EVM is discouraged on firm-fixed-price, level-of-effort, and time and materials efforts, including contracts, subcontracts, intra-government work agreements, and other agreements, regardless of dollar value. However, a PM may request an exception (MDA is approval authority) based a business case analysis that includes rationale for why a cost or fixed-price incentive contract was not an appropriate contracting vehicle.

Contract Approach

For each major contract planned, the acquisition strategy should address the contract type (such as firm fixed-price, cost plus award fee, etc.) and why it is appropriate, including considerations of risk assessment, reasonable risk-sharing by Government and contractors, and the incentive structure for contractors to decrease cost.

Fixed price type contracts may not be used for development efforts of \$25 million or more, nor for lead ships, without the prior approval of the Undersecretary of Defense (Acquisition, Technology & Logistics) (USD(AT&L)), regardless of a program's ACAT. Multiyear contracting for full rate production should be considered and assessed for potential cost savings.

Knowledge Review

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The following Knowledge Review allows for multiple correct answers. Select all of the answers that are correct, then select the Check Answers button and feedback will appear.

Program business financial managers are most likely to be involved in which aspects of acquisition strategy?

- a. Risk management**
- b. Cost As an Independent Variable (CAIV)**
- c. Program resourcing**
- d. Inspection and acceptance**
- e. Integrated contract performance management**
- f. Contract approach**

Correct! Program business financial managers are most likely to be involved in all of the listed aspects except for inspection and acceptance. Business financial managers are most likely to be involved in developing and tracking risk management, Cost As an Independent Variable (CAIV), program resourcing, integrated contract performance management, and contract approach. Additionally, business financial managers should look closely at support strategy.

Management of Lower ACAT Programs

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For ACAT II and lower programs, the MDA decides on the specific program documentation requirements, including the content of the acquisition strategy.

Acquisition Strategy Preparation and Approval

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The acquisition strategy is prepared prior to the program initiation decision (normally Milestone B) and updated prior to all major program decision points. It should also be updated whenever the strategy changes or the system approach becomes better defined. The MDA must approve the acquisition strategy prior to the release of the formal

solicitation. This approval will usually precede each decision point, except at program initiation, when the acquisition strategy will normally be approved as part of the milestone decision review.

Knowledge Review

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The following Knowledge Review allows for multiple correct answers. Select all of the answers that are correct, then select the Check Answers button and feedback will appear.

The primary goals of an acquisition strategy should be to:

- a. Identify program risk areas and integrate risk management**
- b. Address the contract type and why it is appropriate, including considerations of risk assessment, reasonable risk-sharing by Government and contractors, and the incentive structure.**
- c. Minimize the time and cost of satisfying validated needs**
- d. Maximize affordability throughout a program's useful life-cycle.**

Correct! The correct answers are c. and d. The primary goals of acquisition strategy should be to minimize the time and cost of satisfying validated needs, and maximize affordability throughout a program's useful life-cycle. While identifying program risk areas and addressing the contract type are considerations in an acquisition strategy, they are not the primary goals.

Knowledge Review

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The following Knowledge Review is a True or False question. Select the best answer and feedback will immediately appear.

Although DoD 5000.02 directly applies to Major Defense Acquisition Programs and Major Automated Information Systems, it is also used as a model for the management of ACAT II and other lower acquisition category programs.

- a. True**
- b. False**

Correct.

The DoD 5000.02 directly applies to MDAP and MAIS programs, but it also is used as the model for all defense technology projects and acquisition programs, regardless of acquisition category.

Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Which of the following statements is not true regarding acquisition strategy preparation and approval?

- a. **The acquisition strategy is prepared prior to the program initiation decision and updated prior to all major program decision points.**
- b. **The acquisition strategy is updated whenever the approved acquisition strategy changes or as the system approach and elements of the program become better defined.**
- c. **The MDA must approve the acquisition strategy prior to the release of the formal solicitation.**
- d. **The MDA usually approves the acquisition strategy at each milestone decision or program review, except at the program initiation milestone, when the MDA normally approves the acquisition strategy prior to the milestone.**

Correct!

Only the last statement is incorrect. The MDA usually approves the acquisition strategy prior to each milestone decision or program review, except at the program initiation milestone, when the MDA normally approves the acquisition strategy as part of the milestone decision review.

Lesson Summary (1 of 2)

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Congratulations! You have completed the Acquisition Strategy Lesson. The following topics were presented in this lesson:

- Acquisition Strategy goals. The primary goals of an acquisition strategy are to minimize the time and cost of meeting validated needs and to maximize the acquisition program's affordability throughout its lifetime.
- Acquisition strategy considerations for business financial managers. These include:
 - Risk management
 - Cost as an Independent Variable (CAIV)
 - Program resourcing
 - Support strategy
 - Integrated contract performance management

- Contract approach
-

Lesson Summary (2 of 2)

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The following topics were also presented in this lesson:

- Acquisition strategy content. DoD acquisition policy describes the preferred content of the acquisition strategy for an ACAT I program. The Milestone Decision Authority (MDA) will tailor these requirements for ACAT II and below programs.
- Acquisition strategy preparation and approval:
 - Initially prepared prior to the program initiation decision.
 - Updated prior to all major program decision points, and when strategy changes and as system approach and program elements become better defined.
 - MDA approves the acquisition strategy prior to the release of the formal solicitation.
 - MDA approval usually precedes each milestone or decision review, except at program initiation, when MDA approval occurs as part of the milestone decision.

This page completes the lesson. Select a lesson from the Table of Contents to continue.

Contract Execution Considerations

Contract Execution Considerations for Business Financial Managers

Introduction to Contract Execution Considerations

Page 1 of 21



Approximate Length: 30 minutes

Welcome to the Contract Execution Considerations Lesson. Close monitoring of the financial aspects of contract execution is a key to acquisition program success. This lesson will introduce you to common concerns of the business financial manager with respect to solicitations and contracts and introduce you to the uniform contract format.

Located throughout and at the end of this lesson are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

Learning Objective

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By completing this lesson, you should be able to recognize the sections of the uniform contract format that contain information relevant to financial management.

Contract Execution Considerations Overview

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With regard to contracts, an acquisition program's Business Financial Manager (BFM) is primarily concerned about ensuring that appropriate funding is put in place to complete the desired work and that contract funds are executed in a timely manner.

Before the contract is awarded, this means checking to see that the correct color (appropriation account), year and amount of funding is available and is cited on the procurement request. After the contract is awarded, the BFM must monitor contract funds execution as part of the overall execution of program funds. To perform these functions effectively, the BFM should be familiar with the content of the various sections of the Uniform Contract Format.

Uniform Contract Format

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The Federal Acquisition Regulation (FAR) requires contracting officers to prepare written solicitations (such as Requests for Proposals (RFPs)) and resulting contracts using the uniform contract format outlined in FAR 15.204. The uniform contract format includes 13 sections, labeled A through M.

Section A, Solicitation / Contract Form

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Section A is a cover sheet that contains basic information such as the issuing office, address and contract number. Financial managers may require information from this section in the event of problems during contract execution.

One of two standard forms is usually used for Section A of the contract, although neither is required: Standard Form 26 - Award/Contract or Standard Form 33 - Solicitation, Offer and Award. These forms are available in various formats, including an accessible FORMNet screen fillable version, from the GSA web site. Select the following hyperlinks to access each of these forms.

Access a [blank Standard Form 26](#).

Access a [blank Standard Form 33](#).

Section B, Supplies / Services / Prices / Costs

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Section B provides a brief description of each contract deliverable (item, quantity, etc.) covered by a contract line item (CLIN) or sub-line item (SLIN). Prices are not listed in this section as part of the RFP, but are added after negotiation prior to contract award. The information in this section of a contract is important in the contract payment process, particularly when multiple lines of funding are involved.

For example, some CLINs and SLINs may be chargeable against one line of funding, but not another; other CLINs and SLINs may be chargeable against several different lines of funding. Generally, the greater the number of CLINs, SLINs and lines of funding, the more complex it will be to ensure that funds are being executed properly.

When a deliverable includes data, the data requirement is stated in a Contract Data Requirements List (CDRL) and referenced in Section B. The actual CDRLs are attachments to Section J.

Select the following hyperlink to view an [example of Section B](#).

Section B Example

Section B, Supplies or Services and Estimated Cost and Incentive Fee

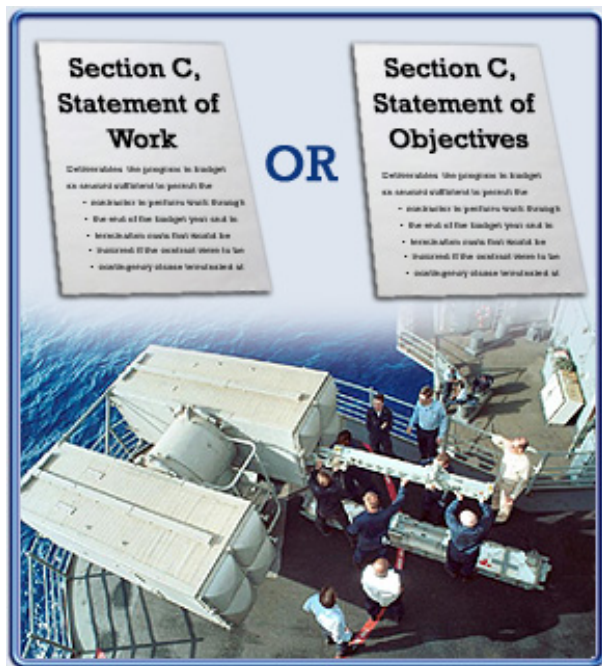
<u>Item</u>	<u>Supplies or Services</u>	<u>Qty</u>	<u>Total Estimated Cost</u>
0001	Design, develop, integrate, test, and deliver 100 nm range improvement capability for M234 terminals	XXX	(See Clause H-1)
Target Cost (exclusive of fee)			\$68,816,000
Target Fee			<u>\$9,384,000</u>
TOTAL TARGET PRICE			\$ 78,200,000
Share Ratio 75/25			

Long Description

Contract excerpt titled Section B, Supplies or Services and Estimated Cost and Incentive Fee. A small table is shown with 4 columns: Column A is Item, Column B is Supplies or Services, Column C is Quantity, and Column D is Total Estimated Cost. Only one line item entry exists for this table: Line item 0001 is to design, develop, integrate, test, and deliver 100 nm range improvement capability for M234 terminals; quantity is XXX; and readers are referred to Clause H-1 for Total Estimated Cost. Below the table the following information is shown: Target Cost (exclusive of fee) is \$68,816,000; Target Fee is \$9,384,000; Total Target Price is the sum of Target Cost and Target Fee, or \$78,200,000; Share Ratio is 75/25.

Section C, Description / Specifications / Work Statement

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Section C describes the actual tasks to be completed in the performance of the contract and any associated specifications. This section may include a Statement of Work (SOW) or a Statement of Objectives (SOO). Financial management personnel should examine this section to ensure that the nature of the work to be performed matches the purpose of the appropriation to be used to fund the contract.

Select the following hyperlink to view an example of Section C.

Section C Example

Section C, Statement of Work

1. Scope of Work.

The contractor shall provide management, supervision, personnel, equipment, and supplies necessary to accomplish the research, development, and testing tasks, including fabrication of test items, as described herein.

2. Contract Effort Required.

The contractor has sole responsibility for determining the total daily productive man-hour requirements for the performance of the work described herein.

3. Task Description.

The contractor will provide best effort to develop and test a modification to the M234 communications terminals to increase the communications range of the M234

terminals from 200 nautical miles to 300 nautical miles. Upon successful testing of the modification, the contractor will deliver to the government a technical data package providing sufficient detail to enable a competent manufacturer of electronics equipment to produce the modification kits to be installed in M234 terminals.

(End of excerpt)

Section D, Packaging and Marking

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Section D contains the requirements for packaging and marking of deliverables and is not usually a concern for the financial manager.

Select the following hyperlink to view an [example of Section D](#).

Section D Example

Section D, Packaging and Marking

1. Marking of Information.

All information submitted to the contracting officer or the contracting officer's representative shall clearly indicate the contract number of the contract for which the information is being submitted.

2. Packaging.

All end items deliverable under this contract that are not to be accepted at the contractor's plant will be packaged in such a way as to eliminate the risk of damage due to vibration,

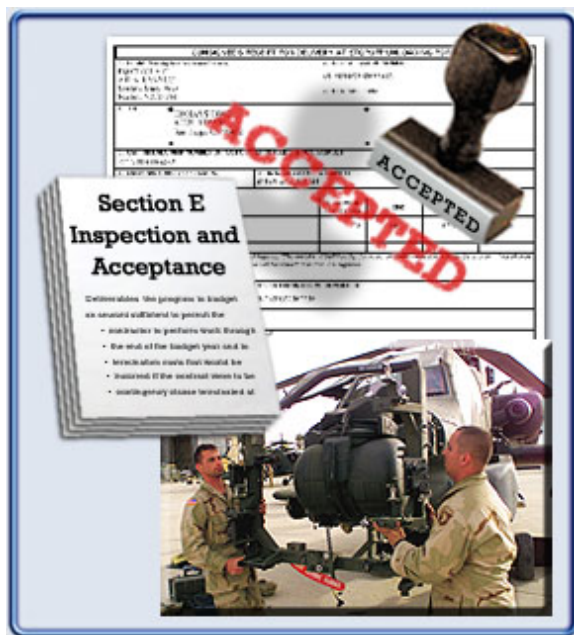
static electricity, corrosion, liquid submersion, and heat temperatures of up to 150 degrees Fahrenheit.

3. Marking of Deliverable End Items.

All end items packaged and delivered under this contract shall be marked on the exterior of the packaging with the contract number of the contract under which the item is being submitted.

Section E, Inspection and Acceptance

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Section E specifies the requirements for inspection and acceptance of goods and services deliverable under the contract. It is not usually of direct interest to the financial manager; however, it may become important if inspection/acceptance problems delay payments, putting the program behind schedule on its expenditure plan.

Select the following hyperlink to view an [example of Section E](#).

Section E Example

Section E, Inspection and Acceptance

1. Government Personnel and Responsibilities for Contract Administration

A. Contracting Officer.

The contracting officer has the overall responsibility for the administration of this contract. He or she alone, without delegation, is authorized to take actions on behalf of the government to amend, modify, or deviate from the contract terms, conditions, requirements, specifications, details and/or delivery schedules. However, he or she may delegate certain other responsibilities to her authorized representative.

B. Administrative Contracting Officer (ACO).

The ACO is delegated authority on behalf of the contracting officer to assess whether the performance of work under this contract is satisfactory and to certify invoices, delivery documents, and other documents indicating that the contractor should be paid for work that has been completed.

C. Contracting Officer's Representative (COR).

Mr. Gary Gnu, M234 PMO Contract Specialist, is designated as the contracting officer's representative to assist the contracting officer in his or her responsibilities when he or she is unable to be directly in touch with the contract work.

Section F, Deliveries or Performance

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Section F specifies the time, place, and method of delivery or performance. The information in this section should be scrutinized by the financial manager to ensure compliance with funding policies (for example, funded delivery period for procurement end items and period of performance for incrementally funded activities).

Select the following hyperlink to view an [example of Section F](#).

Section F Example

Section F, Deliveries or Performance

1. Place of Performance.

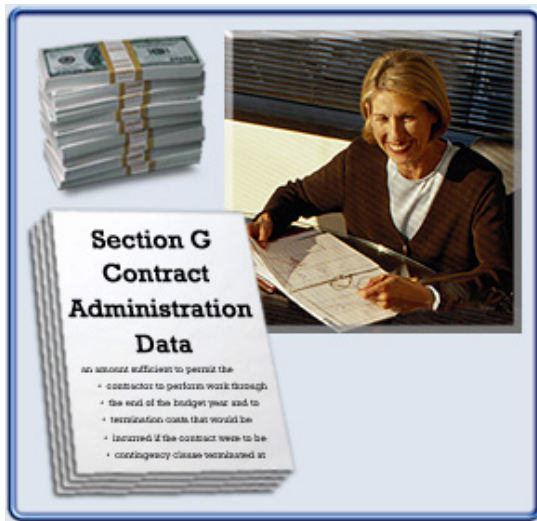
The contractor may perform the work required under this contract at any location deemed appropriate, however, the contractor must provide notification to the contracting officer, administrative contracting officer, and contracting officer's representative at least 14 days in advance of commencing work at a new location.

2. Term of Contract.

After award, the successful contractor will be given a written notice to proceed and shall provide contractual services through the completion of the tasks specified herein, subject to the availability of funds. Work under this contract is expected to commence on or about 1 Nov 05 and continue through 31 Oct 06.

Section G, Contract Administration Data

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Section G provides details concerning contract administration, including accounting and paying office information. This is particularly important to the financial manager in resolving issues with the Defense Finance and Accounting Service (DFAS) paying office regarding late or incorrect posting of accounting data.

Select the following hyperlink to view an [example of Section G](#).

Section G Example

Section G, Contract Administration Data (Excerpts)

G-1. Accounting and Appropriation Data.

To be cited at contract award and by modifications to the contract thereafter.

G-901. Invoices and Payment.

a. All invoices submitted by the contractor under this contract shall be prepared in accordance with Section I-412, FAR Clause 52.232-25 (Prompt Payment).

b. The contractor shall submit an original and one copy of all invoices to the Contracting Officer's Representative with an informational copy to the Contracting Officer. Address for submittal of all copies is 999th Contracting Squadron, 1234 Bomber Drive, Strafer AFB, VA 22152-2000.

c. Upon certification of acceptance of services by the COR, the COR will forward the original and three copies of the invoices to the payment office listed in block 25 of the SF 33. The COR shall submit one informational copy of each certified invoice directly to the Contracting Officer at 999th Contracting Squadron, 1234 Bomber Drive, Strafer AFB, VA 22152-2000.

d. The Government shall pay the contractor upon satisfactory compliance with all terms of the contract. Payment on all invoices will be made IAW the Prompt Payment clause (FAR 52.232-25), incorporated by reference in Section I-412.

Section H, Special Contract Requirements

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Section H specifies requirements unique to your program and this contract. Financial managers should use this section as needed to address unusual financial requirements, such as fiscal year payment plans on fixed price contracts.

Select the following hyperlink to view an [example of Section H](#).

Section H Example

Section H – Special Contract Requirements

Clause H-1: Allotment of Funds

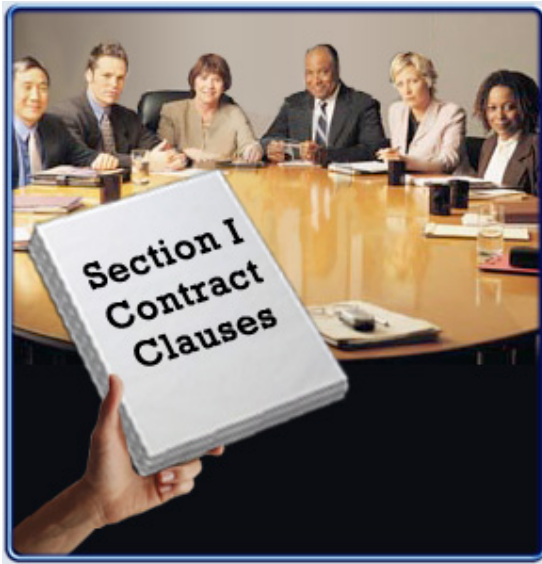
The work to be performed under this contract will be incrementally funded over three years according to the following list:

- FY 2006 \$78,200,000
- FY 2007 \$49,700,000
- FY 2008 \$ 1,500,000

The amount currently obligated and available for this work is \$78,200,000. This amount is the Limitation of Government Liability for work performed on this contract.

Section I, Contract Clauses

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Section I includes all the standard FAR clauses that apply to this particular contract defining rights and responsibilities of the contracting parties. The financial manager should check to ensure that any necessary clauses relevant to financial matters are included. Some examples include the Limitation of Funds clause for incrementally funded cost contracts, the Limitation of Cost clause for fully funded cost contracts, and the Limitation of Governmental Obligation clause for incrementally funded fixed price contracts.

Select the following hyperlink to view an [example of Section I](#).

Section I Example

(Excerpt showing standard FAR clause for Limitation of Funds)

Clause I-1: Limitation of Funds Clause

- (a) The parties estimate that performance of this contract will not cost the Government more than:
- (1) the estimated cost specified in the Schedule or,
 - (2) if this is a cost-sharing contract, the Government's share of the estimated cost specified in the Schedule.

The Contractor agrees to use its best efforts to perform the work specified in the Schedule and all obligations under this contract within the estimated cost, which, if

this is a cost-sharing contract, includes both the Government's and the Contractor's share of the cost.

- (b) The Schedule specifies the amount presently available for payment by the Government and allotted to this contract, the items covered, the Government's share of the cost if this is a cost-sharing contract, and the period of performance it is estimated the allotted amount will cover. The parties contemplate that the Government will allot additional funds incrementally to the contract up to the full estimated cost to the Government specified in the Schedule, exclusive of any fee. The Contractor agrees to perform, or have performed, work on the contract up to the point at which the total amount paid and payable by the Government under the contract approximates but does not exceed the total amount actually allotted by the Government to the contract.
- (c) The Contractor shall notify the Contracting Officer in writing whenever it has reason to believe that the costs it expects to incur under this contract in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of
- (1) the total amount so far allotted to the contract by the Government or,
 - (2) if this is a cost-sharing contract, the amount then allotted to the contract by the Government plus the Contractor's corresponding share.

The notice shall state the estimated amount of additional funds required to continue performance for the period specified in the Schedule.

(End of excerpt)

Section J, List of Attachments

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Section J lists all attached forms and specifications. The Contract Data Requirements List (CDRL) included in this section lists all of the data deliverables. The financial manager should ensure that the CDRL is complete. Some examples of financial management deliverables include the Contract Funds Status Report (CFSR) and earned value management reports, such as the Contract Performance Report (CPR). To minimize costs, the Data Item Description for each deliverable should be tailored to include only necessary information.

Select the following hyperlink to view an [example of Section J](#).

Section J Example

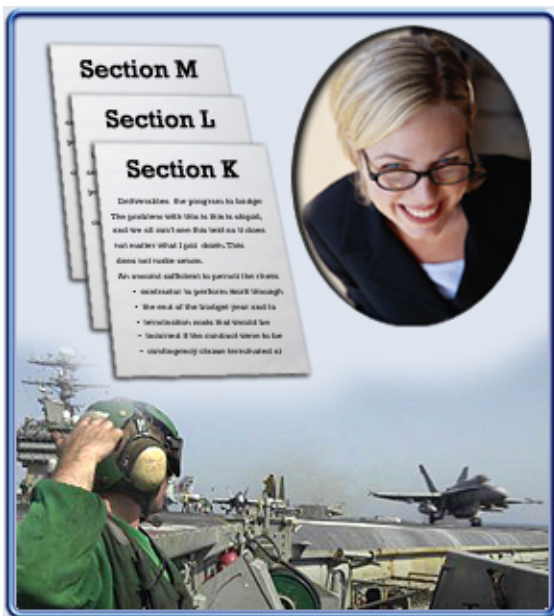
Attachment No.	Title
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Attachment 1	Contract Data Requirements List
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Attachment 2	Key Personnel Resume
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Other Sections

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Section K: Representations, Certifications, and Other Statements of Offerors or Quoters; Section L: Instructions, Conditions, and Notices to Offerors or Quoters; and Section M: Evaluation Factors for Award are key parts of the solicitation and award

process, but do not impact contract execution and therefore are not typically of concern to the financial manager.

Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which one of the following sections of the uniform contract format should be scrutinized by the financial manager to ensure compliance with DoD's annual, incremental, and full funding policies?

- a. **Section A, Solicitation / Contract Form**
- b. **Section E, Inspection and Acceptance**
- c. **Section F, Deliveries or Performance**
- d. **Section G, Contract Administration Data**
- e. **Section I, Contract Clauses**

Correct!

Section F, Deliveries or Performance, should be scrutinized by the financial manager to ensure compliance with DoD's annual, incremental, and full funding policies.

Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which one of the following sections of the uniform contract format provides information that the financial manager can use to determine if the work to be performed matches the purpose of the appropriation used to fund the contract?

- a. **Section B, Supplies / Services / Prices / Costs**
- b. **Section C, Description / Specifications / Work Statement**
- c. **Section F, Deliveries or Performance**
- d. **Section G, Contract Administration Data**
- e. **Section H, Special Contract Requirements**

Correct!

Section C, Description / Specifications / Work Statement, provides information that the financial manager can use to determine if the work to be performed matches the purpose of the appropriation used to fund the contract.

Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

After contract award, which one of the following sections of the uniform contract format should the financial manager consult to determine the price of a particular contract line item (CLIN)?

- a. **Section B, Supplies / Services / Prices / Costs**
- b. **Section C, Description / Specifications / Work Statement**
- c. **Section F, Deliveries or Performance**
- d. **Section G, Contract Administration Data**
- e. **Section H, Special Contract Requirements**

Correct!

The financial manager should consult Section B, Supplies / Services / Prices / Costs, after contract award to determine the price of a particular contract line item (CLIN).

Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which one of the following sections of the uniform contract format should the financial manager consult to determine which DFAS office is responsible for making payments on the contract?

- a. **Section B, Supplies / Services / Prices / Costs**
- b. **Section C, Description / Specifications / Work Statement**
- c. **Section F, Deliveries or Performance**
- d. **Section G, Contract Administration Data**
- e. **Section H, Special Contract Requirements**

Correct!

The financial manager should consult Section G, Contract Administration Data, to determine which DFAS office is responsible for making payments on the contract.

Lesson Summary (1 of 2)

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Congratulations! You have completed the Contract Execution Considerations Lesson. The following topics were presented in this lesson:

- Financial manager contract execution concerns. With respect to contracts, acquisition program business financial managers are primarily concerned with ensuring that:
 - Contracts are appropriately funded to complete the desired work, and
 - Contract funds are executed in a timely manner.

- Uniform contract format. The Federal Acquisition Regulation (FAR) requires that solicitations and contracts be prepared in a standard format consisting of the following sections:
 - Section A, Solicitation / Contract Form
 - Section B, Supplies / Services / Prices / Costs
 - Section C, Description / Specifications / Work Statement
 - Section D, Packaging and Marking
 - Section E, Inspection and Acceptance
 - Section F, Deliveries or Performance

Uniform contract format continued on the next page.

Lesson Summary (2 of 2)

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The following topics were also presented in this lesson:

- Uniform contract format continued:
 - Section G, Contract Administration Data
 - Section H, Special Contract Requirements
 - Section I, Contract Clauses
 - Section J, List of Attachments
 - Section K, Representations, Certifications, and Other Statements of Offerors or Quoters
 - Section L, Instructions, Conditions, and Notices to Offerors or Quoters
 - Section M, Evaluation Factors for Award

- Contract sections of concern to the financial manager. Sections A, B, C, F, G, H, I, and J are the sections of the uniform contract format that are most likely to be used by financial managers. Sections D and E are consulted more

rarely. Sections K, L, and M are only applicable to the solicitation process and are not typically of concern to financial managers.

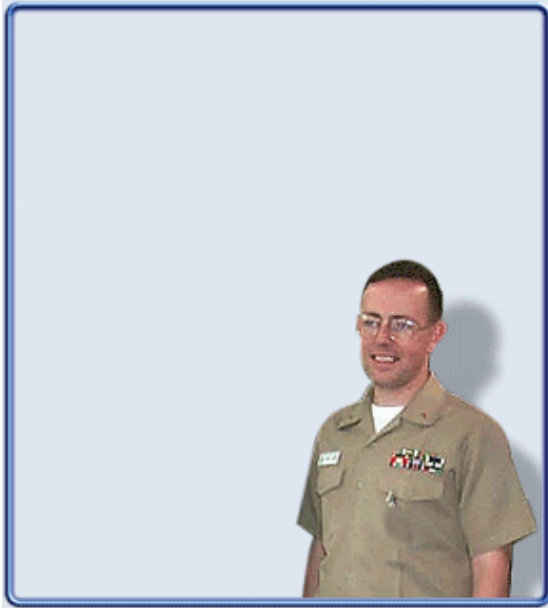
This page completes the lesson. Select a lesson from the Table of Contents to continue.

SOW and SOO

Statement of Work (SOW) and Statement of Objectives (SOO)

Introduction to the Statement of Work (SOW) and Statement of Objectives (SOO)

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Approximate Length: 20 minutes

Welcome to the Statement of Work (SOW) and Statement of Objectives (SOO) Lesson. This lesson will familiarize you with the SOW and the SOO, including the purpose of each of these documents.

Located throughout and at the end of this lesson are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

Learning Objective

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By completing this lesson, you should be able to identify the purpose of the Statement of Work and the Statement of Objectives.

Statement of Work (SOW)

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The **Statement of Work (SOW)** is a document that describes the tasks to be performed and the requirements (other than government specifications or standards) to be met by the contractor in performing these tasks. In other words, the SOW identifies the work effort and defines the scope or outer limits of the contractor's effort. This effort may range from small research studies to the development and production of a major weapon system.

Problems Using the SOW

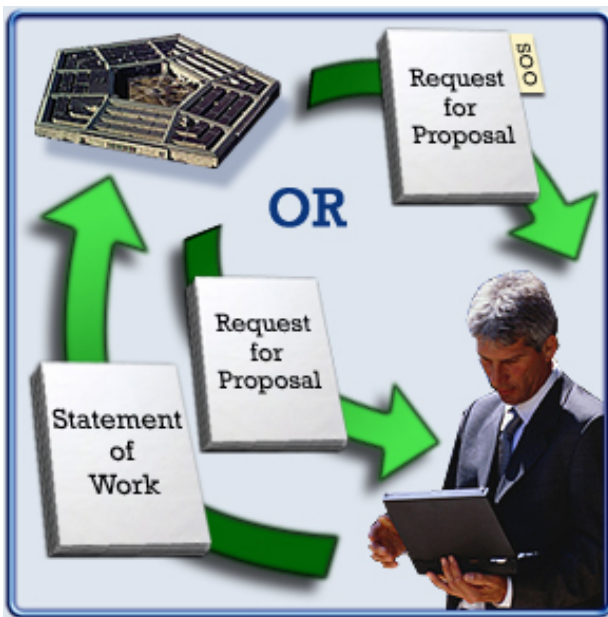
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Traditionally, the SOW has been prepared by the government and included as part of the solicitation process in the Request for Proposal (RFP). In recent years, acquisition reform efforts have led to significant changes in this tradition. DoD recognized that SOWs were often the cause of significant problems in contract execution because of differing interpretations by the contractor and the government.

Statement of Objectives

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To avoid problems stemming from government-contractor disagreements over interpretation of the government-written SOW, many acquisition efforts are using a Statement of Objectives (SOO) instead of the SOW during the solicitation process. Instead of the specificity of the SOW, the SOO provides the bidders just with broad objectives to be met by the acquisition, generally derived from a capabilities document for a weapon system. Each bidder then evaluates these broad objectives and proposes a specific statement of work to meet them. An even more radical departure from tradition is to simply transmit the capabilities document to the prospective bidders and have them propose SOWs based directly on the document, skipping the SOO altogether. The use of the SOO or a capabilities document in the solicitation process instead of the SOW is becoming more commonly referred to as Performance-Based Contracting.

Long Description

Alternative performance-based contracting methods. Pictures of Pentagon and a contractor. Two documents labeled Request for Proposal are shown going from Pentagon to contractor. One has a tab labeled SOO. The word "or" is shown in graphic to indicate only one of these events will occur. A document labeled Statement of Work is shown going from contractor back to the government.

Role of the SOW in Contract Execution

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Whether the SOW is written by the government or the contractor (or some combination of both), it is a key element of a contract. After contract award,

requirements of the SOW (and associated specifications) constitute the standard and discipline for the contractor's effort. It comprises the baseline against which progress and subsequent contractual changes are measured. Both the Government and the contractor look to the SOW as a key document defining the responsibilities of both parties.

The SOW is shown in its entirety in Section C of the uniform contract format, or incorporated by reference then listed in and attached to Section J.

Use of the SOW in Financial Management

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Government financial managers often use the SOW to determine how to properly fund a contract, both in terms of the appropriation type to be used and the phasing of the funding.

Knowledge Review

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The following Knowledge Review is a True or False question. Select the best answer and feedback will immediately appear.

The Statement of Work (SOW) identifies the work effort and defines the scope for the production of major weapon systems; this is done for smaller contractual efforts using a Statement of Objectives (SOO).

- a. True**
- b. False**

Correct! Use of the SOW is not limited to major weapon systems, nor is the use of the SOO limited to smaller contractual efforts. Either may be provided for a contract of any size.

Knowledge Review

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The following Knowledge Review allows for multiple correct answers. Select all of the answers that are correct, then select the Submit button and feedback will appear.

Which of the following statements apply to the Statement of Objectives (SOO)?

- a. It provides the bidders with broad objectives to be met by the acquisition.**
- b. It is generally derived from a capabilities document for a weapon system.**
- c. It is required for all cost reimbursement contracts.**
- d. Its use is becoming commonly referred to as Performance-Based Contracting.**

Correct!

All of these statements apply to the SOO except for c. While a SOO may be used for a specific cost reimbursement contract, it is not required for all such contracts.

Knowledge Review

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The following Knowledge Review allows for multiple correct answers. Select all of the answers that may be correct, then select the Submit button and feedback will appear.

Statements of Work (SOWs) are written by:

- a. The government**
- b. The contractor**

Correct.

Statements of Work may be written by the government, the contractor, or both together.

Lesson Summary

Page 11 of 11

Congratulations! You have completed the Statement of Work (SOW) and Statement of Objectives (SOO) Lesson. The following topics were presented in this lesson:

- Statement of Work (SOW). The SOW is a document that details tasks and requirements for the contractor.
 - May be prepared by the government, contractor or a combination of both.
 - Often used by government financial managers to determine how to properly fund a contract.
 - Comprises the baseline for contract execution.
 - Usually presented in Section C of the uniform contract format.
 - Statement of Objectives (SOO). The SOO is a document that provides prospective bidders with the objectives of the acquisition rather than specific requirements.
 - Performance Based Contracting. Common term for the use of the SOO or a capabilities document rather than the traditional government-prepared SOW in contract solicitations. Bidders then propose their own SOWs to accomplish the government's objectives or operational requirements.
-

Module Summary

Module Summary Acquisition Strategy and Contract Execution

Module Summary (1 of 5)

Page 1 of 5

Congratulations! You have completed the Acquisition Strategy and Contract Execution Module. The following topics were presented in the Acquisition Strategy Lesson of this module:

- Acquisition Strategy goals. The primary goals of an acquisition strategy are to minimize the time and cost of meeting a validated needs and to maximize the acquisition program's affordability throughout its lifetime.
 - Acquisition strategy considerations for business financial managers. These include:
 - Risk management
 - Cost as an Independent Variable (CAIV)
 - Program resourcing
 - Support strategy
 - Integrated contract performance management
 - Contract approach
-

Module Summary (2 of 5)

Page 2 of 5

Other topics presented include:

- Acquisition strategy content. DoD acquisition policy describes the preferred content of the acquisition strategy for an ACAT I program. The Milestone Decision Authority (MDA) will tailor these requirements for ACAT II and below programs.
 - Acquisition strategy preparation and approval:
 - Initially prepared prior to the program initiation decision.
 - Updated prior to all major program decision points, and when strategy changes and as system approach and program elements become better defined.
 - MDA approves the acquisition strategy prior to the release of the formal solicitation.
 - MDA approval usually precedes each milestone or decision review, except at program initiation, when MDA approval occurs as part of the milestone decision.
-

Module Summary (3 of 5)

Page 3 of 5

The following topics were presented in the Contract Execution Considerations Lesson of this module:

- Financial manager contract execution concerns. With respect to contracts, acquisition program business financial managers are primarily concerned with ensuring that:
 - Contracts are appropriately funded to complete the desired work, and
 - Contract funds are executed in a timely manner.
- Uniform contract format. The Federal Acquisition Regulation (FAR) requires that solicitations and contracts be prepared in a standard format consisting of the following sections:
 - Section A, Solicitation / Contract Form
 - Section B, Supplies / Services / Prices / Costs
 - Section C, Description / Specifications / Work Statement
 - Section D, Packaging and Marking
 - Section E, Inspection and Acceptance
 - Section F, Deliveries or Performance

Uniform contract format continued on the next page.

Module Summary (4 of 5)

Page 4 of 5

Other topics presented include:

- Uniform contract format continued:
 - Section G, Contract Administration Data
 - Section H, Special Contract Requirements
 - Section I, Contract Clauses
 - Section J, List of Attachments
 - Section K, Representations, Certifications, and Other Statements of Offerors or Quoters
 - Section L, Instructions, Conditions, and Notices to Offerors or Quoters
 - Section M, Evaluation Factors for Award
 - Contract sections of concern to the financial manager. Sections A, B, C, F, G, H, I, and J are the sections of the uniform contract format that are most likely to be used by financial managers. Sections D and E are consulted more rarely. Sections K, L, and M are only applicable to the solicitation process and are not typically of concern to financial managers.
-

Module Summary (5 of 5)

Page 5 of 5

The following topics were presented in the Statement of Work (SOW) and Statement of Objectives (SOO) Lesson of this module:

- Statement of Work (SOW). The SOW is a document that details tasks and requirements for the contractor.
 - May be prepared by the government, contractor or a combination of both.
 - Often used by government financial managers to determine how to properly fund a contract.
 - Comprises the baseline for contract execution.
 - Usually presented in Section C of the uniform contract format.
- Statement of Objectives (SOO). The SOO is a document that provides prospective bidders with the objectives of the acquisition rather than specific requirements.
- Performance Based Contracting. Common term for the use of the SOO or a capabilities document rather than the traditional government-prepared SOW in contract solicitations. Bidders then propose their own SOWs to accomplish the government's objectives or operational requirements.

This page completes the Module Summary. Select a lesson from the Table of Contents to continue.
