

Introduction

The Contingency Contracting Officer (CCO) can expect a wide variety of requirements (purchase requests) from their customers. These requirements can vary greatly in several aspects, including:

- Type of supplies or services needed
- Time critical nature for the acquisition
- Estimated cost/price of the transaction
- Level of detail (or lack thereof) in the requirement description
- Accuracy in estimating quantities required

A CCO should not expect to meet all customer requirements using the same procurement procedures. Fortunately, there are several procurement instruments and methods available to you. Your ability to rapidly identify an acceptable procurement method is instrumental to the success of the contracting mission and your customer's.

During many contingencies you may have automated procurement writing capabilities; however, some situations will require the use of non-automated procurement writing tools and techniques.



Objectives

After completing this lesson, you will be able to perform the following actions as they relate to the contingency contracting environment:

- Identify basic contract structure considerations
- Recognize essential elements of micro-purchases
- Select procurement methods for procurements at or below the simplified acquisition threshold (SAT)
- Identify actions to take for procurements above the SAT



Basic Contract Structure

A CCO may be required to create procurement instruments from "scratch" without the aid of automated contract writing systems.

Before deploying, it is important to pre-load procurement instrument templates — complete with required provisions and clauses — onto your laptop computer to the maximum extent possible.

It is possible the templates are already set up at the contracting location to which you will be deployed, but it is always good practice to be prepared.



Basic Contract Structure, Cont.

Automated Contract Writing and Acquisition Related Systems

In recent years, DoD has been successful in fielding the Standard Procurement System — Contingency (SPS-C) into many theaters of operation, specifically the CENTCOM AOR. SPS-C was developed for contracting officers in the contingency environment and is similar in look and functionality of PD2 that many of you use at your home station. As a result, CCOs heading to theater will rely less on hand-written instruments and more on automated systems. Additional systems related to requirements development, vendor management, and the pre and post award process include:

- The Contingency Contracting Support Module (cASM)
- The Joint Contingency Contracting System (JCCS)
- The Synchronized Pre-deployment and Operational Tracker (SPOT)
- Ordering, Receiving and Paying (3in1 Tool)

Information regarding these tools and systems may be found at the [DPAP Contingency Contracting Resources page](#)



Basic Contract Structure, Cont.

Contract Formats

There are two basic contract formats:

- Commercial Contract Format - [FAR 12.303](#)
- Uniform Contract Format (UCF) - [FAR 15.204](#) and the UCF when using sealed bidding - see [FAR 14.201-1\(c\)](#)

There is also the very common Purchase Order (PO) when using simplified acquisition procedures - [FAR Subpart 13.302](#). The PO is covered in more detail later in this lesson.

In most contingency environments, the majority of contract actions and orders awarded are for commercial goods and services that you will be able to use simplified acquisition procedures (SAP) to procure.

- Acquisition of Commercial Items - [FAR Part 12](#)
- Simplified Acquisition Procedures - [FAR Part 13](#)

Provisions and Clauses

Provisions and clauses are necessary in order to manage orders and contracts from solicitation through award, administration, and final payment. The following references help in determining what provisions and clauses to apply when procuring commercial items and/or using SAP:

- [FAR Subpart 12.3](#) and Defense Federal Acquisition Regulation (DFARS) [Subpart 212.3](#) provisions and clauses
- [FAR 13.302-5](#) and [DFARS 213.302-5](#) clauses
- In addition, [FAR 52.301](#) contains a useful solicitation provisions and contract clauses [matrix](#).

Basic Contract Structure, Cont.

Procurement Instrument Numbering

All newly initiated procurement instruments must be numbered. [DFARS 204.70](#) prescribes policy and procedures for assigning numbers to solicitations, contracts, and related instruments. [DFARS 204.7003](#) also provides additional details on procurement instrument numbering.

These numbers are referred to as Procurement Instrument Identification Numbers (PIIN) and their purpose is to aid in tracking all actions.

The following is an example of a PIIN.

Dept. or Agency	Last Two Digits FY	Instrument Type	Serial #
N00062	06	D	0001

Basic Contract Structure, Cont.

Line Item Structure

Contract line items should be formatted and applied in DoD contract solicitations and contract awards in the same manner; however, [exceptions](#) do occur.

Contract line items should generally have all four of the following characteristics:

- [Single Unit Price](#)
- [Separately Identifiable](#)
- [Separate Delivery Schedule](#)
- [Single Accounting Classification Citation](#)

However, see [DFARS 204.7103-2](#), [204-7104-1](#) and [PGI 204.7103-2](#), for specific guidance and flexibility when developing your CLIN structures. Many contract administration (including delivery and payment) issues can be avoided if CCOs follow these rules and instructions.



Basic Contract Structure, Cont.

Line Item Structure

Contract line items should be formatted and applied in DoD contract solicitations and contract awards in the same manner; however, [exceptions](#) do occur.

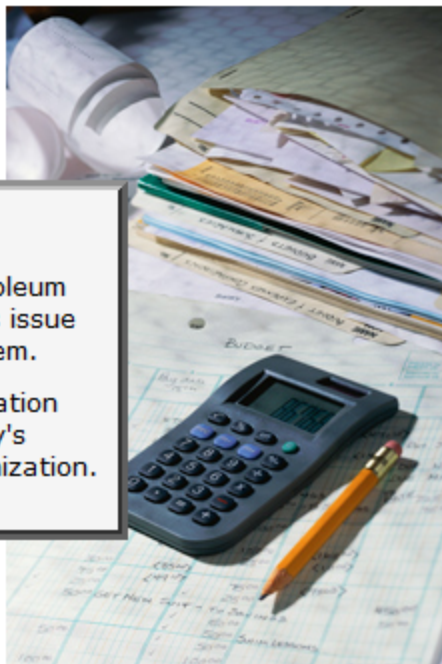
Contract line items have the following characteristics:

- [Single](#)
- [Separate](#)
- [Separate](#)
- [Single](#)

Exceptions

1. The contract is an indefinite delivery type for petroleum products against which posts, camps, and stations issue delivery orders for products to be consumed by them.
2. The contract is a communications service authorization issued by the Defense Information Systems Agency's Defense Information Technology Contracting Organization.

However, see [PGI 204.7103-2](#), for specific guidance and flexibility when developing your CLIN structures. Many contract administration (including delivery and payment) issues can be avoided if CCOs follow these rules and instructions.



Basic Contract Structure, Cont.

Line Item Structure

Single Unit Price

The item shall have a single unit price or a single total price, except:

- If the item is not separately priced (NSP) but the price is included in the unit price of another contract line item, enter NSP instead of the unit price.
- When there are associated sub line items established for other than information reasons, and those sub line items are priced in accordance with DFARS 204.7104.
- When the items or services are being acquired on a cost-reimbursement contract.
- When the contract is for maintenance and repair services (e.g., a labor hour contract) and firm prices have been established for elements of the total price of an item but the actual number and quantity of the elements are not known until performance. The Contracting Officer may structure these contracts to reflect a firm or estimated total amount for each line item.
- When the contract line item is established to refer to an exhibit or an attachment (if management needs dictate that a unit price be entered, the price shall be set forth in the item description block and enclosed in parentheses).
- When the contract is an indefinite delivery type contract and provides that the price of an item shall be determined at the time a delivery order is placed and the price is influenced by such factors as the quantity ordered (e.g., 10- 99 @ \$1.00, 100-249 @ \$.98, 250+ @ \$.95), the destination, the FOB point, or type of packaging required.

Basic Contract Structure, Cont.

Line Item Structure

Contract line items should be formatted and applied in DoD contract solicitation documents, however, [examples](#) are provided.

Contract line items should be characterized by the following:

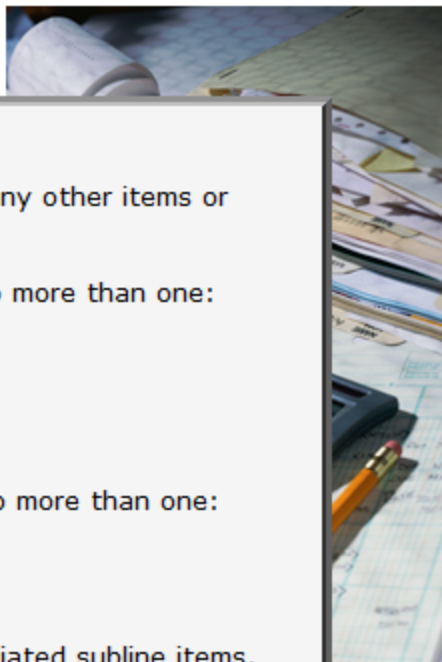
- [Single](#)
- [Separate](#)
- [Separate](#)
- [Single](#)

However, see [PGI 204.7104](#) for developing your contract (including development) follow these

Separately identifiable

A contract line item must be identified separately from any other items or services on the contract.

- Supplies are separately identifiable if they have no more than one:
 - A. National stock number (NSN)
 - B. Item description
 - C. Manufacturer's part number
- Services are separately identifiable if they have no more than one:
 - A. Scope of work
 - B. Description of services
- This requirement does not apply if there are associated subline items, established for other than informational reasons, and those subline items include the actual detailed identification in accordance with [204.7104](#). Where this exception applies, use a general narrative description instead of the contract item description.

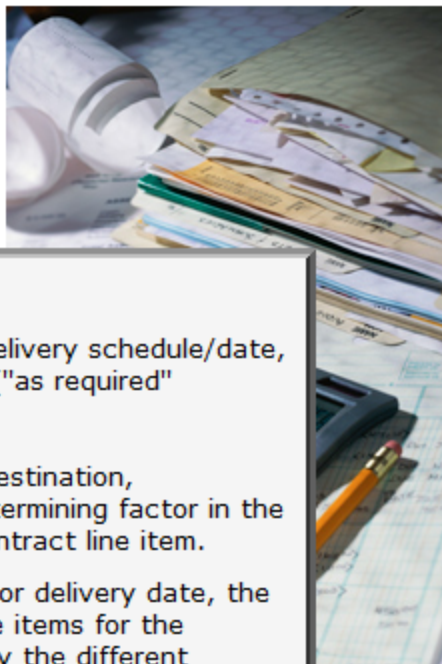


Basic Contract Structure, Cont.

Line Item Structure

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Separate Delivery Schedule

- [Separate Delivery Schedule](#)
- Each contract line item number (CLIN) must have its own delivery schedule/date, period of performance or completion date expressly stated ("as required" constitutes an expressly stated delivery term).
- The fact that there is more than one delivery date, destination, performance date, or performance point may be a determining factor in the decision as to whether to establish more than one contract line item.
- If a contract line item has more than one destination or delivery date, the Contracting Officer may create individual contract line items for the different destinations or delivery dates, or may specify the different delivery dates for the units by destination in the delivery schedule.

However, [PGI 204.1](#) developing (including follow th

Basic Contract Structure, Cont.

Line Item Structure

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- [Single Accounting Classification Citation](#)

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Single Accounting Classification Citation

Accurate lines of accounting are critical to successful contract execution and payment by ensuring proper posting of transactions.



Actions At or Below the Micro-purchase Threshold

While the majority of the dollars spent by a CCO will likely be obligated using one of the instruments designated for use at or below the simplified acquisition threshold (SAT), many procurement actions could be completed at or below the micro-purchase threshold.

The micro-purchase threshold for the majority of DoD transactions is \$3,000. However, per [FAR 13.201](#) the threshold is raised to:

- \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States
- \$30,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States

Purchases using this authority must have a clear and direct relationship to the support of a contingency operation. During some contingencies, the chief of the deployed contracting office or lead CCO may have the authority to delegate micro purchase authority to ordering officers and/or field ordering officers. See [FAR 1.603-3\(b\)](#) and [DFARS 201.603-3\(b\)](#).



Actions At or Below the Micro-Purchase Threshold, Cont.

Governmentwide Commercial Purchase Card

The Governmentwide commercial purchase card (GCPC) is authorized for use in making and/or paying for purchases of supplies, services, or construction.

The card may be used only by Contracting Officers and other individuals designated in accordance with applicable regulations.

The GCPC may be used to:

- Make micro-purchases
- Place a task or delivery order (if authorized in the basic contract, basic ordering agreement, or blanket purchase agreement)
- Make payments when the contractor has agreed to accept payment by the card

It is important to note that breaking down requirements into multiple transactions to permit the use of the card or to stay within the single purchase limit is considered "splitting requirements" and is strictly prohibited. See [FAR 13.003-3\(c\)\(2\)](#).



Actions At or Below the Micro-purchase Threshold, Cont.

Governmentwide Commercial Purchase Card, Cont.

The General Services Administration (GSA) prohibits use of the GCPC for certain categories of items. [Click here to view the list of what may be purchased with the GCPC.](#) Individual services and major commands may impose additional constraints.

Common prohibited GCPC purchases include:

- Rental or lease of motor vehicles
- Expenses associated with official travel
- Hazardous materials
- Information technology (IT) related items
- MWR items
- Fuel (especially aviation fuel)
- Construction

CCOs must determine and apply the particular policies in effect for the operation they are supporting. This should be a routine part of the CCO's pre-deployment planning process.

Consult [FAR 13.301](#) and [DFARS 213.301\(3\)](#) for additional information on the GCPC. Service specific guidance is found in the following documents:

- Department of the Army - Government Purchase Card Operating Procedures
- Air Force Instruction 64-117 - Air Force Government-Wide Purchase Card (GPC) Program
- Navy, NAVSUPINST 4200.99 - Department of the Navy Purchase Card Program Policy

Actions At or Below the Micro-purchase Threshold, Cont.

Imprest funds/Third party drafts

The use of an Imprest Fund and/or Third Party Drafts is not common for most deployed contingency operations. The decision to establish an imprest fund during a contingency belongs to the commander, who will also appoint the imprest fund cashier. Limitations on the size of the fund and its authorized uses are explained in agency regulations.

Per [FAR 13.305](#), the threshold for use of [imprest funds](#) is \$500, or other such limits as have been approved by the Agency Head.

The threshold for [third party drafts](#) is \$2,500, unless authorized at a higher level in accordance with Department of Treasury restrictions.

However, for overseas transactions in support of a contingency operation or a humanitarian or peacekeeping operation, the threshold has been raised to the micro-purchase threshold of \$3,000 ([DFARS 213.305-3](#)).



Actions At or Below the Micro-purchase Threshold, Cont.

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Imprest Funds

Imprest funds are fixed or petty cash funds in the form of currency or coin. Agencies use imprest funds to reimburse employees for expenses, to make small purchases, and for other approved purposes.

Actions At or Below the Micro-purchase Threshold, Cont.

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However, for overseas operation or a humanitarian operation, the threshold has been raised to [DFARS 213.305-3](#).

Third Party Drafts

Third party drafts are check-like instruments drawn on and paid by an outside contractor ("draft company") or financial institution.



Actions At or Below the Simplified Acquisition Threshold (SAT)

The FAR defines the SAT for contingency operations as:

- **\$300,000** for any contract to be awarded and performed, or purchase to be made, **inside** the United States
- **\$1 million** for any contract to be awarded and performed, or purchase to be made, **outside** the United States

This higher threshold enables the CCO to procure a greater variety of supplies and services to the customer more expeditiously than under normal (\$150,000 SAT) circumstances.

The requirement to promote full and open competition the maximum extent practicable still applies to the contingency environment. Soliciting quotes/offers from at least three sources normally meets this requirement; see [FAR 13.104\(b\)](#).

The "broad discretion" allowed the CCO in evaluating quotes/offers by [FAR 13.106-2\(b\)](#) is particularly helpful in the contingency environment. The requirement to document price fair and reasonableness for actions below the SAT also still applies; see [FAR 13.106-3](#) for detailed guidance.

Use of the "[Abstract of Offers](#)" or a locally made facsimile of this form, is an effective and efficient way to rapidly document quote(s) receipt and award decisions for your contract files.



Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

Purchase Orders

A purchase order (PO) is an offer by the Government to buy supplies or services upon specified terms and conditions using simplified acquisition procedures (SAP). They are self-contained, one-time awards resulting in one delivery and one payment.

The term PO can be applied to following forms:

- **SF 44** - Purchase Order-Invoice-Voucher
- **SF 1449** - Solicitation/Contract/Order for Commercial Items
- **DD Form 1155** - Order for Supplies or Services

As discussed back on slide 5; do not forget to include any provisions or clauses which may be required for your PO. Typically fewer than what you would need for more complex contract actions and non-contingency related actions in the CONUS.

U.S. GOVERNMENT
PURCHASE ORDER-INVOICE-VOUCHER

DATE OF ORDER	ORDER NO.		
PRINT NAME AND ADDRESS OF SELLER (Number, Street, and State)*			
P A Y E E			
FURNISH SUPPLIES OR SERVICES TO (Name and address)*			
SUPPLIES OR SERVICES	QUANTITY	UNIT PRICE	AMOUNT
AGENCY NAME AND ADDRESS*		TOTAL	
P A Y O R		DISCOUNT TERMS	
		_____% ____ DAYS	
		DATE INVOICE RECEIVED	
ORDERED BY (Signature and title)			
PURPOSE AND ACCOUNTING DATA			
PURCHASER - To sign below for over-the-counter delivery of items			
RECEIVED BY			
TITLE		DATE	
SELLER -		UNIT PRICE	

SF-44

Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

Standard Form (SF) 44

As a CCO, it is likely that you will become familiar with the SF 44, a multi-purpose [*Purchase Order, Invoice, Voucher*], pocket-sized purchase order form for on-the-spot purchases of supplies and nonpersonal services while away from the purchasing office or at isolated activities. It can also be used as a receiving report, invoice, and public voucher. [DFARS 213.306](#) specifies that the SF 44 can be used for overseas contingency, humanitarian, or peacekeeping operations if the following four conditions are met:

1. The purchase is at or below the SAT
2. The supplies or services are immediately available
3. One delivery and one payment will be made
4. Its use is deemed to be more economical and efficient than other SAP

As a CCO you can expect to make many of your purchases at or below the SAT using the SF 44. You can expect to make the majority of your purchases at or below the [micro-purchase threshold](#) using the SF 44.

Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

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Micro-purchase Threshold

For contingency operations:

- Equal to or less than \$15,000 within the United States
- Equal to or less than \$30,000 outside the United States

Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

SF 44, Cont.

General procedural instructions governing the form's use are printed on the form and on the inside front cover of each book of forms. Since order placement and delivery are simultaneous, clauses are not required when using the SF 44.

A **new** electronic SF 44 (the **3-in-1 Tool**) has been tested for use in the field. It stores all information required on the paper-based SF 44, including purchaser, vendor, items ordered, terms and signatures. The data can then be downloaded to a master station for reporting purposes.



Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

SF 1449 and DD 1155

There are times when the requirements to use the SF 44 cannot be met. In these cases, you will likely use either the SF 1449 (Solicitation/Contract/Order for Commercial Items) or DD Form 1155 (Order for Supplies or Services).

As its name suggests, the [SF 1449](#) is used for commercial items, while the [DD 1155](#) is used for non-commercial items or if the SF1449 is not being used.

The DFARS Procedures, Guidance and Information ([PGI](#)) [213.307](#) provides additional guidance on the use of the DD 1155.



Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

Blanket Purchase Agreements

Blanket purchase agreements (BPAs) are simplified acquisition methods allowing the government to establish "charge accounts" with qualified sources of supply for the purchase of repetitive needs. They are not contracts but merely advance agreements for future contractual undertakings. The Government is not bound to use a particular supplier with a BPA.

BPAs can set prices, establish delivery terms and provide other clauses so that a new contract is not required for each purchase. They are designed to reduce administrative time and cost when using simplified acquisitions by eliminating the need for individual purchase documents.

Establishing a BPA requires a DD 1155 or an SF 1449 to be completed much like a PO, except the schedule will not order any supplies/services at that time. It will refer to the document as a BPA and state the general class of supplies or services that may be ordered under the BPA.

[Click here to view more information on Decentralized Purchasing Programs.](#)



Actions At or Below the Simplified Acquisition Threshold (SAT), Cont.

Blanket Purchase Agreements

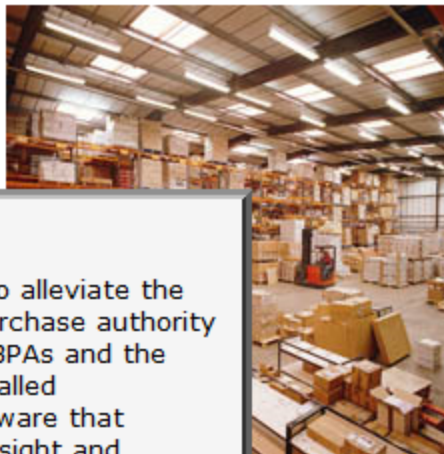
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Establishing a BPA much like a PO, ex supplies/services a and state the gene ordered under the

Decentralized Purchasing Programs

Note: As a contingency matures, an excellent way to alleviate the massive workload of the CCO is to delegate micro purchase authority to Ordering (OO) and Field Ordering Officers (FOO). BPAs and the SF44 are a primary way to do just that. These are called "Decentralized Purchasing Programs." However, be aware that decentralized purchasing programs require more oversight and monitoring in the contingency environment than at home station. This is primarily due to the high ops tempo and transient nature of the contingency environment.



[Click here to view more information on Decentralized Purchasing Programs.](#)

Actions Above the SAT

As mentioned, a good majority of your customer's requirements in the contingency environment can be executed via the use of SAP. However, because of the unpredictable nature of the mission and resulting requirements in a deployment, whether overseas or within the United States, the CCO may be required to execute contracts that exceed the SAT.

Due to typical contingency ops tempo and force size, these large procurements can often tax the limited resources of the CCO. Available support and expertise to help accomplish these kinds of procurements are often minimal.

The key to successful contingency contracting is taking maximum advantage of regulatory exemptions and exceptions — and documenting it! See [FAR Part 18](#) and [DFARS Part 218](#) for a list of common contingency related flexibilities.



Actions Above the SAT, Cont.

Expedited Source Selection

Large purchases will be negotiated in accordance with FAR Part 15, DFARS Part 215, the DoD [Source Selection Procedures Guide](#), or authorized service-specific FAR Supplement. Due to security concerns (base/post/FOB access) and lack of knowledge on vendor community capability, the use of sealed bidding is practically nonexistent in the deployed contingency environment.

The time necessary to execute above the SAT contract actions are normally greater than that for simplified acquisitions. However, due to mission criticality, the CCO often has flexibility to expedite the process.

When conducting a source selection the requirement for full and open competition and development of a formal, written solicitation can be a time intensive process. [Judicious](#) use of [FAR 6.302-2](#) (Unusual and Compelling Urgency) and [15.203\(f\)](#) - Oral RFPs is a way to significantly expedite the award process.



Actions Above the SAT, Cont.

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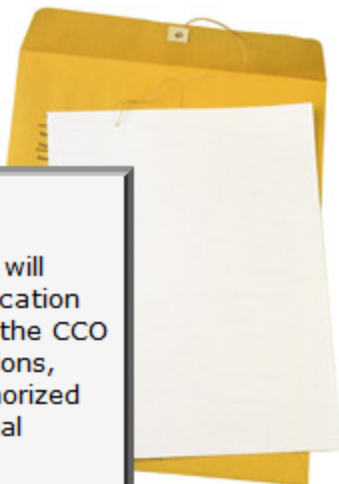
The time necessary to complete the process is normally greater than for a standard acquisition, due to mission criticality, the need for rapid response, and the complexity of the task.

When conducting a source selection process, competition and development of a source selection process is a time intensive process. (Compelling Urgency) and expedite the award process.

Judicious

Any use of FAR 6.302 (other than full and competition) will require the development and approval of a J&A - Justification and Approval - which will often require approval above the CCO level. 6.302-2 is the most common for deployed operations, distantly followed by 6.302-1; all others are rarely authorized and require approval well above the CCO level. Additional references for J&As:

- FAR 6.303 thru 6.305 (justification requirements, content, approval and availability)
- DFARS 6.302 and PGI 206.3



Actions Above the SAT, Cont.

Contract Type

The type of contract selected will affect the list of applicable clauses and the contract risk. The CCO must be equitable in sharing risk. To do otherwise would pose a danger to the part of the mission that is contract-dependent.

Attaining risk equity in a static peacetime situation is difficult enough; during deployment it will be more so, because projected customer needs may easily be understated or overstated (typically due to changing mission requirements). The contract type selected must mitigate as much as possible the inability to accurately plan.

As a CO, you are probably already familiar with firm-fixed-price contracts and indefinite-delivery contracts. However, there are other contract types that are useful in the contingency contracting environment you should be aware of.



Actions Above the SAT, Cont.

Contract Type, Cont.

The quickest way to get a contractor working when the value of the requirement is above the SAT is to award a **letter contract**. Letter contracts are preliminary contractual instruments authorizing the contractor to begin work immediately.

They are used when the government's interests demand that the contractor be given a binding commitment so that work can start immediately, and there is not sufficient time to negotiate a definitive contract. Despite these conditions, the letter contract should still be as complete and definite as circumstances will permit.



The letter authorizes the contractor to proceed and creates an **Undefinitized Contract Action (UCA)** which must be definitized as expeditiously as possible. This is done using the [SF 30](#) (Amendment of Solicitation/Modification of Contract), which is then numbered as a modification to the letter contract.

Letter contracts are often a misnomer as they should be as complete as possible prior to being awarded. Only those terms and conditions not known (typically price/cost and schedule) should be left to negotiate and definitized.

The uses of letter contracts and undefinitized contract actions have limitations and are only used when it is in the government's best interest. Consult [FAR 16.603](#), [DFARS 216.603](#), 217.74 (and associated PGI), [FAR 43.103\(a\)\(2\)](#) and [DFARS 204.7004\(c\)\(3\)\(iv\)](#) for limitations on their use, their numbering, and the required clauses.

Actions Above the SAT, Cont.

Cost Reimbursement Contracts

Many CO's have never worked with a cost reimbursement contract, and are at a disadvantage when they deploy and discover they either must administer an existing cost reimbursement contract, or must award one.

For example, Logistics Civil Augmentation Program ([LOGCAP](#)) contracts are frequently cost reimbursement contracts used to provide the flexibility and responsiveness required to support military contingency operations.



Actions Above the SAT, Cont.

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LOGCAP

LOGCAP stands for "Logistics Civil Augmentation Program." It is the Army's part of DoD's contracting efforts to negotiate pre-existing contracts with U.S. vendors to provide a wide range of support in categories such as facilities, supplies, services, maintenance, transportation, etc. When there is inadequate logistics support available from U.S. military or host nation sources, LOGCAP contracts are activated. The Air Force and Navy have similar contracting programs. The Air Force program is the Air Force Contract Augmentation Program (AFCAP). The Navy programs are the Global Construction Capability Contract (GCCC) and Global Contingency Service Contract (GCSC).

Actions Above the SAT, Cont.

Cost Reimbursement Contracts, Cont.

Cost reimbursement contracts provide for payment of all reasonable, allowable, and allocable costs as permitted by the contract.

These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk), without approval of the CO.

Cost-reimbursement contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

[Click here to read some of the conditions and limitations under which a cost reimbursement contract may be used.](#)



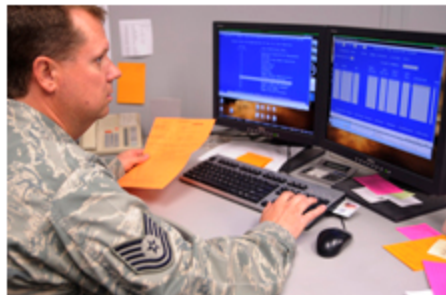
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Cost reimbursement contracts provide for payment of all reasonable, allowable, and allocable costs as permitted by the contract.

These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk), without approval of the CO.

Cost-reimbursement contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.



[Click here to read some of the conditions and limitations under](#)

Conditions for Cost Reimbursement Contracts

- The contractor's accounting system is adequate for determining costs applicable to the contract.
- Appropriate Government surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used.
- The use of cost-reimbursement contracts is prohibited for the acquisition of commercial items.

See [FAR 16.301-3](#), specifically 16.301-3(b) and [FAR 12.207](#)

Actions Above the SAT, Cont.

Cost Reimbursement Contracts, Cont.

Under conditions of high uncertainty, cost reimbursement contracts may be a suitable instrument of choice. However, in contingency environments, particularly those conducted overseas, vendors frequently lack the sophisticated cost accounting systems required by regulation before a cost-type contract can be awarded.

The CCO must recognize that an adequate cost accounting system is essential to protect the Government's financial interest, especially if there are changes or claims against the contract.

Be sure to make an informed decision prior to using cost-type contracts in contingencies.



Actions Above the SAT, Cont.

Cost Reimbursement Contracts, Cont.

In the contingency environment, the cost reimbursement type contract may be used for requirements such as the rebuilding of power generation facilities or oil pipelines.

The degree of work required for such can be highly uncertain due to wartime or natural disaster damage, sabotage, theft, and the need for private security forces.

Cost reimbursement contract types that may be suitable under such conditions of uncertainty are [cost-plus-award-fee](#) and [cost-plus-incentive-fee](#). Be aware that additional contract clauses are required for these incentive-type contracts.



Actions Above the SAT, Cont.

Time-and-Materials Contracts

Time-and-materials (T&M) contracts provide for the acquisition of supplies or services on the basis of direct labor hours at specified fixed hourly rates, plus materials at cost (to include material handling charges). The fixed hourly rate for labor includes wages, overhead, G&A expenses, and profit.

T&M contracts do not provide the contractor with much incentive to control the cost of materials or to manage the labor force effectively.

However, often a T&M contract is the only effective one in some contingency situations. This is particularly true when repair, maintenance or overhaul work, or emergency work is required.



Actions Above the SAT, Cont.

Time-and-Materials Contracts, Cont.

T&M contracts can only be used after the Contracting Officer executes a [Determination and Finding](#) (D&F) that no other contract type is suitable. The contract must include a ceiling price, the breach of which is at the contractor's risk.

When awarding a T&M contract, the most important factor is the contractor's management skills and reputation for getting the job done.

Because the contractor is paid for hours and materials expended, a marginal producer who bids at a lower hourly rate may end up actually costing more due to the total number of labor hours required to complete the contract.

See [FAR Part 16](#) for more on T&M contracts and other contract types.

The CCO should recognize and remember that Cost Reimbursable and Time & Material Contracts have the **most risk to the government** for contract performance and cost control. They should not be awarded without discretion. In addition, the amount of oversight required by the customer (requiring activity and associated CORs) and the administrative burden on the CCO should be considered during the decision making process.



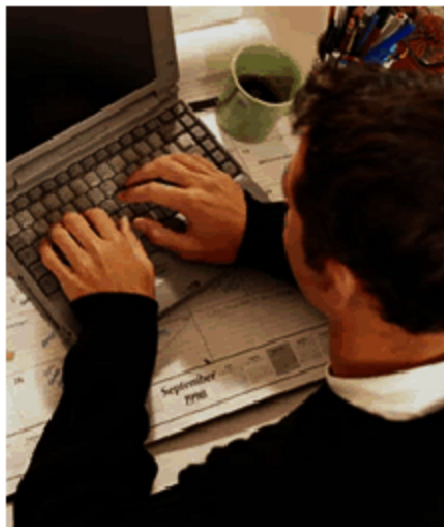
Actions Above the SAT, Cont.

Best Value in the Contingency Environment

For planned acquisitions above the SAT, the CO is required by the FAR to consider both price and non-price factors (past performance in particular) when evaluating proposals.

The relative importance of those factors is up to the CO or other source selection authority. It may be challenging at a deployed location to ascertain the past performance histories of potential suppliers.

Be prepared to document your contract file with the efforts you take to do so, even if past performance information cannot reasonably be found.



Actions Above the SAT, Cont.

Best Value in the Contingency Environment, Cont.

In order to fulfill the Governments needs, the requirements must be clearly communicated.

Federal statutes and the FAR establish the policy for describing agency needs, and stipulate that requirements be written in a way that promotes full and open competition as required by the Competition in Contracting Act (CICA).

It is particularly important to maximize competition in the contingency environment to the maximum extent possible, as it may become evident many offerors do not have the capability to supply the supplies or services that they claim they can.



Using Established Contracts

When you deploy to a location at which contracting operations have been ongoing for some time, you will likely be using contracts that were established by your predecessors in addition to awarding your own contracts.

However, if you are at the vanguard of a contingency operation, you need to determine if there are existing contracts and agreements that you can "piggyback" on to save time, money and effort.

Check with the contracting activities such as the [Fleet Logistics Center Yokosuka - Japan](#) for guidance on possible use of husbanding contracts/agreements and information on local suppliers if your deployed location is close to a port.

Also check with the local [U.S. Embassy](#) to determine if it has set up any procurement instruments that you can use to place orders against.

As a final note, the Economy Act authorizes agencies to enter into mutual agreements to obtain supplies or services by inter-agency acquisition. Each [Economy Act](#) order must be supported by a Determination and Finding.



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Economy Act

The Economy Act authorizes agencies to enter into mutual agreements to obtain supplies or services by interagency acquisition. It applies when more specific statutory authority (such as ordering off of GSA Schedules) does not exist. Consult FAR Subpart 17.5 for more information on the Economy Act.

Lesson Summary

This is the end of the Contingency Contracting Methods and Instruments lesson. In this lesson, you:

- Identified basic contract structure considerations
- Recognized essential elements of micro-purchases
- Identified procurement methods for procurements at or below the SAT
- Identified actions to take for procurements above the SAT



Knowledge Review

The micro-purchase threshold for a declared contingency operation **outside** the United States is:

- ☐ \$3,000
- ☐ \$15,000
- ☒ \$30,000
- ☐ \$150,000

Check Answer



\$30,000 is the micro-purchase threshold for contingency operations outside the United States.

Knowledge Review

Which one of the following choices is not among the four conditions that must be met in order to use the SF 44 in a contingency environment?

- ☐ The purchase is at or below the simplified acquisition threshold
- ☐ The supplies or services are immediately available
- ☒ No more than five deliveries will be made against the order
- ☐ Its use is deemed to be more economical and efficient than other simplified acquisition procedures

Check Answer



No more than five deliveries will be made against the order is not a condition that must be met in order to use the SF 44 in a contingency environment. Only one payment and delivery is a condition for use of SF44.

Knowledge Review

The letter contract is definitized using an SF 30 (Amendment of Solicitation/Modification of Contract).



True



False

Check Answer



True. The letter contract is definitized using an SF30 (Amendment of Solicitation/Modification of Contract).

Lesson Completion

You have completed the content for this lesson.

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