SECTION 4-1 ACQUISITION PLANNING

4-1-00 POLICY

In accordance with FAR Part 7 and HHS policy, OPDIVS shall perform acquisition planning for all acquisitions in order to provide for -

- Acquisition of commercial items or, to the extent that commercial items suitable to meet the Government's needs are not available, non-developmental items, to the maximum extent practicable; and
- Full and open competition or, when full and open competition is not required in accordance with Part 6, to obtain competition to the maximum extent practicable, with due regard to the nature of the supplies or services to be acquired.

Acquisition planning for federally-owned real property assets shall integrate the efforts of all personnel responsible for significant aspects of the acquisition. The purpose of this planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner. In order to facilitate attainment of the acquisition objectives, the plan should identify those milestones at which decisions should be made. The plan should address all the technical, business, management, and other significant considerations that will control the acquisition. The specific content of plans will vary, depending on the nature, circumstances, and stage of the acquisition. The acquisition plan should include the following:

- Acquisition background and objectives that includes statement of need; applicable condition; life-cycle cost; performance characteristics; trade-offs; risks; and acquisition streamlining;
- Plans of action that includes sources, competition, source-selection procedures, acquisition considerations, budgeting and funding, product or service descriptions, priorities, allocations, and allotments, contractor versus government performance, inherently governmental functions, logistics considerations, government-furnished property, government-furnished information, environmental and energy conservation objectives, security considerations, contract administration, other considerations, and milestones for the acquisition cycle.

4-1-10 PROCEDURES

Acquisition planning should begin as soon as the OPDIV need is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary. In developing the plan, the OPDIV forms a team consisting of all those who will be responsible for significant aspects of the acquisition, such as contracting, fiscal, legal, professional and technical personnel. The OPDIV should review the plan and if appropriate revise it at key dates specified in the plan, whenever significant changes occur, and no less often than annually. Requirements personnel (customer and users) should avoid issuing requirements on an urgent basis or with unrealistic delivery or performance schedules, since it generally restricts competition, increases prices, and increases project risks. Early in the planning process, the Project Officer should consult with the customer or user who determines type, quality, quantity, and delivery requirements. As part of developing an acquisition strategy OPDIVs are encouraged to use the Construction Industry Institute (CII) Project Delivery Contract Strategy (PDCS) to evaluate alternate project management delivery mechanisms. <u>Design-Build must be considered as a preferred strategy in the</u>

evaluation. The evaluation through PDCS or a similar tool shall be forwarded with the Facility Project Approval Agreement (FPAA) on all projects requiring Department approval.

The Project Officer should coordinate with and secure the concurrence of the Contracting Officer in all acquisition planning. If the plan proposes using other than full and open competition when awarding a contract, the plan shall also be coordinated with the Competition Advocate as required in the Competition in Contracting Act (CICA). The acquisition plan or strategy must be coordinated with the Small Business and Disadvantaged Business Utilization Specialist (SADBUS).

4-1-20 GUIDANCE AND INFORMATION

A. CONTRACT TYPES

In acquisition planning, determining the type of contract early in the process is important. A wide selection of contract types is available to the Government and contractors in order to provide needed flexibility in acquiring the large variety and volume of supplies and services required by agencies. Contract types vary according to-

- The degree and timing of the responsibility assumed by the contractor for the costs of performance; and
- The amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals.

The contract types are grouped into two broad categories: fixed-price contracts and cost-reimbursement contracts.

The specific contract types range from firm-fixed-price, in which the contractor has full responsibility for the performance costs and resulting profit (or loss), to cost-plus-fixed-fee, in which the contractor has minimal responsibility for the performance costs and the negotiated fee (profit) is fixed. In between are the various incentive contracts in which the contractor's responsibility for the performance costs and the profit or fee incentives offered are tailored to the uncertainties involved in contract performance.

1. Firm Fixed Price Contract: A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties. The Contracting Officer may use a firm-fixed-price contract in conjunction with an award-fee incentive and performance or delivery incentives when the award fee or incentive is based solely on factors other than cost.

2. Cost-Reimbursement Contracts: Cost-reimbursement types of contracts provide for payment of allowable incurred costs, to the extent prescribed in 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 the approval of the Contracting Officer. There are several cost reimbursement type contracts allowed under the FAR.

    a. Cost Contracts: A cost contract is a cost-reimbursement contract in which the contractor receives no fee.

    b. Cost-Sharing Contracts: A cost-sharing contract is a cost-reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed-upon portion of its allowable costs. A cost-sharing contract may be used when the contractor agrees to absorb a portion of the costs, in the expectation of substantial compensating benefits.

c. Cost-Plus-Incentive-Fee Contracts: A cost-plus-incentive-fee contract is a cost-reimbursement contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs.

d. Cost-Plus-Award-Fee Contracts: A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract and (b) an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance.

e. Cost-Plus-Fixed-Fee Contracts: A cost-plus-fixed-fee contract is a cost-reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work to be performed under the contract. This contract type permits contracting for efforts that might otherwise present too great a risk to contractors, but it provides the contractor only a minimum incentive to control costs.

B. INDEFINITE-DELIVERY CONTRACTS

There are three types of indefinite-delivery contracts: definite-quantity contracts, requirements contracts, and indefinite-quantity contracts. The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award. Requirements contracts and indefinite-quantity contracts are also known as delivery order contracts or task order contracts.

1. The various types of indefinite-delivery contracts offer the following advantages. All three types permit-
   a. Government stocks to be maintained at minimum levels; and
   b. Direct shipment to users.
2. Indefinite-quantity contracts and requirements contracts also permit-
   a. Flexibility in both quantities and delivery scheduling; and
   b. Ordering of supplies or services after requirements materialize.
3. Indefinite-quantity contracts limit the Government's obligation to the minimum quantity specified in the contract.
4. Requirements contracts may permit faster deliveries when production lead time is involved, because contractors are usually willing to maintain limited stocks when the Government will obtain all of its actual purchase requirements from the contractor.
5. Indefinite-delivery contracts may provide for any appropriate cost or pricing arrangement under FAR Part 16, Cost or pricing arrangements that provide for an estimated quantity of supplies or services (*e.g.*, estimated number of labor hours).
6. A/Es should be selected for discrete tasks based on qualifications in accordance with FAR Part 36.

C. HHSAR - PART 307

Acquisition plans should include applicable provision of HHSAR Part 307 HHS Acquisition Plans.

4-1-30 REPORTING REQUIREMENTS

On projects requiring the Department's approval, a submittal of the Acquisition Plan is not required. However, the analysis/documentation supporting the chosen acquisition methodology using PDCS or a similar tool shall be forwarded to OFMP with the initial FPAA submittal. OFMP may require that the OPDIV submit the detailed acquisition plan as additional justification.