



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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WASHINGTON DC 20350-1000

AUG 16 2000

MEMORANDUM FOR PROGRAM EXECUTIVE OFFICERS
DIRECT REPORTING PROGRAM MANAGERS
HEADS OF THE CONTRACTING ACTIVITIES

Subj: AWARD AND ADMINISTRATION OF CONTRACTS FOR PROFESSIONAL
ADMINISTRATIVE AND MANAGEMENT SUPPORT SERVICES

Ref: (a) DoDIG Audit Report D2000-100 of March 10, 2000
(accessible at <http://dodig.osd.mil/audit/reports/index.html>)

A recent DoDIG audit (reference (a)) identified areas of concern in the planning for, and award and administration of, services contracts. You are encouraged to review the report to ensure that these concerns are appropriately addressed in planning and awarding services requirements.

One area of concern is continued use of cost type contracts for recurring service requirements. The DoDIG found that use of fixed price arrangements for recurring services requirements increased for both the Army and Air Force but has dropped within DoN. While the type of contract decision is a judgment call based on the specific circumstances of the requirement, I encourage you to review available procurement history and to fix price services requirements, or portions of service requirements, to the maximum extent practicable.

Use of performance-based strategies and task order contracts provide greater flexibility when portions of requirements cannot be adequately defined in the planning stage to allow for fixed-pricing. Use of fixed-price arrangements for repetitive or follow-on services requirements shall be a special interest item for DoN Procurement Performance Measurement Assessment Program reviews.

Please address questions or comments to Bob Johnson at johnson.robert@hq.navy.mil or (703) 602-2805.


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