OFFICE OF THE UNDER SECRETARY OF DEFENSE
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ACQUISITION
TECHNOLOGY
AND LOGISTICS

AUG 1 2 2008

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (ACQUISITION AND LOGISTICS MANAGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DIRECTORS, DEFENSE AGENCIES
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: Acquisition of Services Policy and Oversight

We are in the second year of implementing section 812 of the National Defense Authorization Act for 2006, which established a review structure and process for the acquisition of services in the Department. Under this structure, senior leaders review the acquisition approach and business strategy on planned acquisitions of services as well as the oversight mechanisms for monitoring the contractor's performance in providing the required services. At USD(AT&L)'s direction, I have personally reviewed all proposed acquisitions of services over $1 billion to ensure that the requirements are clear and well defined, the acquisition approach and business strategy are appropriate and that there are mechanisms in place to provide appropriate oversight of contractor performance.

I believe the over $1 billion reviews have been both informative and beneficial to the Department and I want to ensure that the basic tenets and best practices being implemented in these reviews are institutionalized at all Department levels when we acquire services. To that end, I would like to review with you the processes and procedures you have put in place to ensure effective management and oversight. This review responds to the requirements of paragraph 4.2.12 in the Acquisition of Services Policy issued by USD(AT&L) on October 2, 2006. A summary of topics I would like to review is included in the attachment.

This review will also facilitate the new General Accountability Office (GAO) audit of the acquisition of services, which is a follow up to the audit of 2006:

"DEFENSE ACQUISITONS: Tailored Approach Needed to Improve Service Acquisition Outcomes." The focus of the audit will be on the implementation of your policies and procedures at the field level.

Additionally, as we discussed at the Senior Leaders Offsite in December 2006, I will soon be issuing guidance with regard to the Independent Review of Services that will include the reviews required by section 808 of the Fiscal Year 2008 National Defense Authorization Act. I fully support these independent reviews, which I refer to as "Peer Reviews," because I believe they will contribute greatly to the development of best practices and lessons learned in contracting for services.

As always, I look forward to working with you as we continue to improve the Department's management of these increasingly important investments.

Shay D. Assad
Director, Defense Procurement,
Acquisition Policy, and
Strategic Sourcing

Attachment:
As stated

DISCUSSION TOPICS

- In the reviews of acquisitions over $1 billion, we are stressing the importance of clearly defining requirements, maximizing competition, 3-5 year periods of performance, minimizing the use of time and materials contracts/line items, and maximizing small business participation and other best practices. What steps are you taking to ensure that these same principles are being implemented for the programs under your cognizance?

- I have stressed the importance of the multifunctional support cadre in service acquisitions. What policies or procedures have you put in place to ensure the requirements have been stated clearly, that a quality assurance surveillance plan is included in solicitations and contracts, appropriate performance measures have been identified, and a performance based approach has been utilized as appropriate?

- The GAO has addressed CORs as an issue and a vulnerability that can lead to fraud, waste and abuse. What steps are you taking to ensure that a properly trained COR is designated for contracts for services in support of DoD requirements before contract performance begins, and that properly trained CORs are identified on active contracts for services?

- What are the most significant issues you have identified in your reviews?
    - What steps have you taken to resolve those issues?
    - What policies have you put in place to prevent the recurrence of these issues?

Attachment (1)