MEMORANDUM FOR DISTRIBUTION

Subj: ADDITIONAL GUIDANCE ON J&A DOCUMENTATION REQUIREMENTS

Ref: (a) OASN(RDA)/ABM memo dtd Mar 27, 2002, Subj: Justification and Approvals for Other Than Full and Open Competition

By means of reference (a), I provided guidance regarding information that should be included in J&A packages submitted to this office for processing to ASN(RDA) for approval. Although most of the J&A packages we now receive include some or all of the additional information discussed in reference (a), we continue to have problems with some of these packages.

The causes of these problems vary, but often could be avoided if the J&A and accompanying documents were drafted and reviewed more carefully at the command level. Among the problems we continue to see are unexplained inconsistencies between statements in the J&A and information in the accompanying acquisition planning documents. We also find many statements or conclusions that are not adequately supported. As an example, we see statements regarding the DON's inability to compete the requirement due to the lack of an adequate technical data package. What is not included is a discussion of why we don't have such a package and why it is not feasible to obtain one. In view of these problems and the impact they have on J&A processing time, I would like you to review the adequacy of your J&A preparation and approval processes to ensure your command is forwarding J&A packages that are thoroughly scrubbed before they are submitted and meet the intent of the reference (a) guidance.

In addition to the problems addressed above, there is need for further guidance regarding J&As. As noted in reference (a), Mr. Young has requested that we provide him with a description of the pricing and incentive arrangements planned for the contracts covered by J&As that are forwarded for his approval. My previous guidance, therefore, asked you to "identify and explain," as part of the packages you submit to ABM, the anticipated contract type and any planned
arrangements for improving contractor performance (e.g., anticipated profit/fee range, sharelines, minimum fees, performance incentives, etc.). What may not have been completely clear was that "explain" was intended to mean more than simply providing the details of the contract type or the incentive arrangement. In fact, what was intended, and what is needed, is a detailed explanation of why the contract type and the profit or fee and other incentive arrangements were selected and why they represent the most advantageous approach for meeting the Navy's needs.

In determining what approaches are most advantageous, you should be aware that Mr. Young is extremely concerned about controlling costs. Any planned approach that does not provide the contractor with a strong incentive to control costs is likely to be questioned. Thus, a plan to use any CPFF contract or a CPIF or FPI contract that does not include an aggressive share line is likely to be questioned. Mr. Young would prefer to see contract incentives that are based on measurable, objective outcomes. He also wants to see a range of incentive effectiveness that challenges the contractor to exceed expectations. Mr. Young is particularly troubled by CPIF or FPI arrangements that provide for the Government's share to increase for above target performance. He sees the latter as providing the contractor with an incentive to overrun.

In pointing out contracting arrangements that Mr. Young is most likely to question, it is not my intent to discourage your contracting officers from using contracting approaches that are best suited to the specific circumstances of their procurements. It is my intent, however, to make clear that before deciding to use an approach that is inconsistent with Mr. Young's expectations, alternatives should be thoroughly explored and the J&A package should explain fully and clearly what alternatives were considered and why the planned contract approach represents the best alternative.

Based on recent guidance from Mr. Young, my staff and I are responsible for resolving issues associated with matters under ABM's cognizance before we forward them to him. Thus, I am expecting the members of my staff to question planned contracting arrangements that are not clearly explained or justified in J&A packages aggressively. Ultimately, however,
Subj: ADDITIONAL GUIDANCE ON J&A DOCUMENTATION REQUIREMENTS

your command is responsible for its own J&As. If, after reasonable discussions with ABM, the command elects not to make changes ABM considers necessary, we will forward J&As to Mr. Young. In such cases, which I expect will be rare, we will identify for Mr. Young's information changes we sought and our rationale.

R. E. Cowley
RDML, SC, USN
Deputy for Acquisition and Business Management

Distribution:
CMC (LB)
MARCORMATCOM (M200)
MSC (N-10)
NAVAIRSYSCOM (2.0)
NAVFACEENGCOM (ACQ 02)
NAVICP (02)
NAVSEASYSCOM (02)
NAVSUPSYSCOM (02)
ONR (02)
SPAWARSYSCOM (02)
SSP (SPN)

Copy to:
MARCORSYSCOM (CT)