DoDI 5000.74
Defense Acquisition of Services

Presented by: Rodger D. Pearson
DoDI 5000.74, Defense Acquisition of Services

A few service Regulations, Policies and Guides:

- Federal Acquisition Regulation (FAR): Primarily Part 37
- Defense Federal Acquisition Regulation Supplement (DFARs) and associated Procedures, Guidance and Information (DFARS PGI): Primarily DFARs 237
- Department of Defense Instruction 5000.74
- Department of Defense (DoD) Guidebook for the Acquisition of Services
- Army Federal Acquisition Regulation Supplement (AFARs): Part 5137 or other Agency Regulations
- Command & Organization Policy/Procedures
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- Services Contracting – Setting the stage
  - No longer second fiddle to hardware contracting
    - DoD Services - $143.7B
    - DoD Supplies and Equipment – $129.5B
    - DoD Average of $235K per services contract
  - Army is dollar leader in service acquisitions
  - DoDI 5000.74 took the place of 5000.02 (Encl 9)
  - Management structure established
  - Portfolios – Described and explained
  - Senior Services Review Board (SSRB) – New board!
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DoDI 5000.74 - Dated January 5, 2016

The Good news: Only 8 paragraphs long

The Bad news: Paragraph 3 has 15 sub-paragraphs

The more Bad news: It has 7 enclosures
The DoDI 5000.74 is organized as follows:

- The Instruction
  - Purpose
  - Applicability
  - Policy
- Enclosures
  1. References
  2. Responsibilities
  3. Oversight of Contracted Services Portfolios
  4. Key Services Acq Mgmt Roles/Responsibilities
  5. Services Acq Requirements, Development, Validation, and Oversight
  6. Data Collection, Reporting, and Inventory of Services
  7. Acquisition Considerations for IT Services
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Purpose:

- Establishes policy, assigns responsibilities, provides direction, and implements management structure for acquisition of contracted services
- Authorizes DoD Component decision authorities to tailor procedures
- Uses data collection system (Federal Procurement Data System – Next Generation (FPDS-NG))
- Incorporates and cancels Enclosure 9 of DoDI 5000.02 (8 Dec, 2008)
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- **Applicability:**
  - Includes Military Departments and the “4th Estate”
  - Acquisition of services by or for DoD with a total estimated acquisition value at or above the simplified acquisition threshold (exclusions apply)
  - Acquisition of all advisory and assistance services (A&AS) in support of research and development or construction activities categorized within the knowledge-based services portfolio group
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Non-Applicable/Exemption Examples:

- Services managed/reviewed as part of major and non-major defense acquisition and IT programs
- Services listed in subpart 37.502 of the FAR (personal service, below SAT, others)
- Most classified/cryptologic/intelligence projects
- Services from DoD Federally Funded Research and Development Centers
- Overseas contingency or humanitarian or peacekeeping operations (response & initial phase)
- Services required to respond/recover from an emergency or disaster declared by the President
# Acquisition of Services Categories (S-CATs)

<table>
<thead>
<tr>
<th>Category</th>
<th>Threshold 1</th>
<th>Decision Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services Category I</td>
<td>Estimated total value ≥$1B or &gt;$300M in any one year</td>
<td>USD(AT&amp;L) or designee, or Military Department Service Acquisition Executive (SAE) or designee</td>
</tr>
<tr>
<td>Special Interest 2</td>
<td>As designated by USD (AT&amp;L)</td>
<td>USD(AT&amp;L) or designee</td>
</tr>
<tr>
<td>Services Category II</td>
<td>Estimated total value ≥$250M but &lt;$1B</td>
<td>USD(AT&amp;L) or designee, or Military Department SAE or designee</td>
</tr>
<tr>
<td>Services Category III</td>
<td>Estimated total value ≥$100M but &lt;$250M</td>
<td>Senior Services Manager (SSM) or designee</td>
</tr>
<tr>
<td>Services Category IV</td>
<td>Estimated total value ≥$10M but &lt;$100M</td>
<td>SSM or designee</td>
</tr>
<tr>
<td>Services Category V</td>
<td>Estimated total value ≥Simplified Acquisition Threshold but &lt;$10M</td>
<td>SSM or designee</td>
</tr>
</tbody>
</table>

1 Dollar threshold determined based on the Independent Government Cost Estimate in current-year dollars

2 Special Interest designation based on one or more following factors: technological complexity; congressional or administration interest; large commitment of resources; or whether program is critical to achievement of a capability or set of capabilities, part of a system-of-systems, or a Joint program
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Policy:

- Contracted services is a command responsibility
- DoD Function Domain Experts (FDEs) for services acquisition management will be appointed by USD(AT&L) to provide strategic oversight
- Component Level Leads (CLLs) will be appointed by Component heads to assist the FDE
- Use competitive procedures, incentives and performance-based contracting to the maximum
- Each requirement is reviewed and validated
- Government workforce acquiring and managing contracted services will be trained
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- Policy (Continued)
  - The 7-Step process

- Leverage small business & maximize competition
- Contractors should not be used to perform inherently governmental work, work currently performed by DoD civilians or designated for DoD civilians
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Policy Continued:

- Existing federal government contracts should be used to maximum extent practical
- Managers will use “should-cost” analysis and establish cost reduction targets
- Strategies and Plans will provide mechanisms to identify and manage intellectual property
- In a sole source environment, acquisition strategies and plans will incorporate processes to better performance and generate cost savings
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- Enclosures:
  1: References
  2: Responsibilities
  3: Oversight of Contracted Services Portfolios
  4: Key Services Acquisition Management Roles and Responsibilities
  5: Services Acquisition Requirements Development, Validation and Oversight
  6: Data Collection, Reporting, and Inventory of Contracted Services
  7: Acquisition Considerations for IT Services (Including IT As-A-Service)
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Enclosure 2: Responsibilities

- USD AT&L
  - Responsible for Contracted Services
  - Special Interest
  - Appoint FDEs

- Component Heads
  - Implement Policy & Procedures
  - Inventory
  - Waiver Requests

- DPAP
  - Policy Staff Level Lead
  - Small Business
  - IT

- USD P&R
  - Total Force Mgmt
  - Gov Function
  - FTEs
  - Mil/Civ/Ktr Mix

- CAPE
  - Cost Estimates
  - Analysis
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Enclosure 3: Oversight of Contracted Services Portfolios

- Portfolio management enables a strategic framework
- Requires sharing of data within/across organizations
- Collaboration enables DoD to leverage
  - Resources
  - Buying power
- Portfolio Management:
  - Improves transparency of requirements
  - Reduces redundant business arrangements for similar services
  - Increases awareness of ongoing efforts for potential use
DoD Portfolio Management Taxonomy

9 Services Portfolio Groups, 40 Services Portfolios

- Transportation Services
- Logistics Management Services
- Equipment Related Services
- Electronics & Comm. Services
- Medical Services
- Facility Related Services
- Knowledge Based Services
- Research and Development
- Construction Services

Oversight through the Functional Domain Expert (FDE) structure, except R&D and Construction Services
# DoD Portfolio Management Taxonomy

## Research and Development
- Systems Development
- Operational Systems Development
- Technology Base
- Commercialization

## Knowledge Based Services
- Engineering and Technical Services
- Program Management Services
- Management Support Services
- Administrative & Other Services
- Professional Services
- Education & Training

## Logistics Management Services
- Logistics Civil Augmentation Program
- Logistics Support Services

## Electronic & Communication Services
- IT Services
- Telecom Services
- Equipment Maintenance
- Equipment Leases

## Equipment Related Services
- Maintenance, Repair and Overhaul
- Equipment Modification
- Installation of Equipment
- Quality Control
- Technical Representative Services
- Purchases & Leases
- Salvage Services

## Medical Services
- General Medical Services
- Dentistry Services
- Specialty Medical Services

## Facility Related Services
- Architect/Engineering Services
- Operation of Government-Owned Facilities
- Machinery & Equipment Maintenance
- Building & Plant Maintenance
- Natural Resources Management
- Utilities
- Housekeeping & Social Services
- Purchases & Leases

## Construction Services
- Structures & Facilities
- Conservation & Development Facilities
- Restoration Activities

## Transportation Services
- Transportation of Things
- Transportation of People
- Other Travel & Relocation Services

### 9 Services Portfolio Groups, 40 Services Portfolios
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Enclosure 3: Oversight of Contracted Services Portfolios (continued)

DoD Components
- Performance Based Market Research
- Enhance Service Acquisition Planning
- Oversight/Situational Awareness
- Small Business
- Identify Consolidation Candidates

FDE
- FDE designated for each service sector
- Provide Portfolio Experts
- Leverage Small Business Best Practices
- Lifecycle Process
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- Enclosure 3: Oversight of Contracted Services Portfolios (continued)

**CLLs**
- Sr. Functional Leads
- Aligned to Portfolio
- Robust Requirement Development
- Share Best Practices
- Metrics for Cost as well as Performance and Should Costs
- Promote train/develop PMs and FSMs
Functional Domain Expert (FDE) Structure for Services

DPAP & military department/agency Senior Service Managers (SSMs) provide cross cutting staff support

Source: FY15 data from Business Intelligence Tool, 12 Nov 15

Numbers may not add due to rounding
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- Enclosure 4: Key Services Acquisition Management Roles
  - Describes roles and responsibilities applicable to Senior Service Managers (SSMs), Program Managers (PMs), & Functional Service Managers (FSMs)
  - Acquisition Chain of Command: The acquisition authority chain of command runs upward from the PM or FSM to the designated decision authority for the S-CAT and ends with the Service or Component Acquisition Executive
    - Service Acquisition Executives (SAEs): Will be senior official responsible for management of acquisition of contracted services for the Military Department, with further delegation to the senior procurement executives
    - Component Acquisition Executives (CAEs): Will be senior official responsible for management of acquisition of contracted services for their respective Component and will exercise decision authority as delegated from the agency head or from USD(AT&L)
Enclosure 4: Key Services Acquisition Management Roles and Responsibilities (continued)

- **Senior Services Managers (SSMs):**
  - SSMs and their designated decision authorities across the service categories (SCAT) should identify, forecast, and track pending requirements.
  - Develop processes to implement Services Requirements Review Boards (SRRBs).
  - Support acquisition strategy and peer review process ≥ $1 billion ($500 million for non-competitive acquisitions).
  - Appoint Portfolio Specific Commodity Managers (PSCMs) as staff assistants to the SSM.
Enclosure 4: Key Services Acquisition Management Roles and Responsibilities (continued)

Portfolio Specific Commodity Managers (PSCMs):
Will serve as assistants to the SSM:
- identify services acquisitions within assigned portfolios
- Improve portfolio efficiency and productivity
- Compile government & industry performance results, best practices and lessons learned
- Assist by distributing tools & templates
  - DAU Service Acquisition Mall website is [http://sam.dau.mil](http://sam.dau.mil) & includes the Acquisition Requirements Roadmap Tool (ARRT)
Enclosure 4: Key Services Acquisition Management Roles and Responsibilities (continued)

PSCM (continued)

- Conduct periodic analysis of Department’s spending to gain insight & enable fact-based strategic decisions pertaining to services
- Use services acquisition data to identify active services acquisitions within their portfolios
- Participate in peer reviews & other reviews of services acquisitions
- Ensure “should cost” is applied
Enclosure 4: Key Services Acquisition Management Roles and Responsibilities (continued)

- **PM or FSM**: Should lead multi-functional team (MFT) through the Service Acquisition Seven Step Process
- **Service requirements of ≥ $100M [S-CAT III-I]**, Decision Authority will determine the need for appointment of a certified PM or qualified FSM
  - Service requirements of ≤ $100M, Decision Authority ensures a qualified PM or FSM appointed. In the absence of a certified PM, an FSM with domain expertise will exercise program management responsibilities – the FSM should have in-depth knowledge of the requirement being considered for contractor support including at least 2 years experience managing, supporting or leading the same scope and nature
PM or FSM (continued):

- PM or FSM will be lead for developing, coordinating, and resourcing the requirement
- PM or FSM leading the MFT should use the Seven Step Acquisition Process
- Understand costs related to the services being acquired and establish “should cost” expectations
- Costs of labor skill mix and categories, service levels, frequency of performance, and dictated quality levels should be considered
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- Enclosure 5: Services Acquisitions Requirements Development, Validation and Oversight

- Establishes a Services Requirements Review Board
  - Decision authority listed in Table 1

- SRRB process for acquisitions ≥ $10M annually

- Approval obtained from the SRRB Chair before initiation of any acquisition action

- Requirements validation is not necessary for exercising options previously approved by a SRRB
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- Enclosure 5: Services Acquisitions Requirements Development, Validation and Oversight (continued)

- Market Research
- SRRB
- ACQ Plan
- ACQ Strat
- RFP

- Analysis
- Validate Requirements
- Optimize
- Research
- Workforce Alignment
- Strategy
- Visibility
- Mission Need
- Prioritize
- Proactive

*Multi Functional Teams to Provide Advice
*Attend Service Acquisition Workshop at >$1B (Suggested >$100M)

Use Tools like ARRT
Enclosure 5: Services Acquisitions Requirements Development, Validation and Oversight (continued)

- Submission of Strategies to OSD for Approval:
  - Senior official of the organization must, before final solicitation is issued, submit to Director, DPAP the acquisition strategy for any proposed services acquisition for which USD (AT&L) or designee is the decision authority (30 day review)
  - Review/approval will precede the RFP peer review

- Peer Reviews: Director, DPAP will conduct peer reviews with an estimated value of ≥ $1B

- DoD CAEs will establish their own procedures to conduct peer reviews of contracts values at < $1B
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Enclosure 5: Services Acquisitions Requirements Development, Validation and Oversight (continued)

Performance Management

- DoD components will employ performance management metrics and tripwires for cost/schedule/performance
- Specific metrics / tripwires can be tailored to the needs of the customer but must track and measure performance effectively
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ENCLOSURE 6

USD AT&L Reporting

FDE
Lessons Trends
Trip Wires
Best Practices
Portfolio Tracking
Small Business Information

Better Decisions for Better Contracts

SSRB PEER REVIEW

Product Service Code
Performance Based
Contract/Order/MIPR
Price for Base & Options
Obligations to Date
Inherently Governmental Mission
Type Contract
Agency
Competition
Small Business Function
Personal Svc Total Hours

Contract Award

DATA

SHARE
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- Enclosure 7: Acquisition Considerations for IT within Services (Including IT As-a-Service)
  - If proposed IT service is expected to achieve the Major Automated Information System (MAIS) threshold, the decision authority will be USD (AT&L), or designee, and program will be managed IAW DoDI 5000.02
  - Decision authority will not approve acquisition of IT services; and DoD Components will not award a contract until the PM / FSM has satisfied requirements of the Clinger Cohen Act
  - Others not listed
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Questions?