



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
ACQUISITION LOGISTICS AND TECHNOLOGY  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

16 Nov 2000

SAAL-PS

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Centers of Excellence in Service Contracting - Alert Order

Sub-Section 821(c) of National Defense Authorization Act for 2001 is entitled "Centers of Excellence in Service Contracting." This sub-section directs the establishment of at least one center of excellence in contracting for services. Each center of excellence shall assist the acquisition community by identifying and serving as a clearinghouse for best practices in contracting for services in public and private matters. A copy of Section 821 is enclosed in this memorandum. We anticipate that the Office of the Secretary of Defense (OSD) will provide further clarification on this initiative in the near future.

In order to get a jumpstart on this initiative, I am directing that each MACOM develop one or more Centers of Excellence in Service Contracting. Conceptually, each MACOM center of excellence should comprise a variety of expertise representing various functional areas, such as Contracting, DCSBOS, DCSLOG, DPW, etc. It is anticipated that the various functional areas represented will vary depending upon the acquisition mission(s) of the MACOM. The determination of the structure of these centers of excellence and the specific individuals involved is up to the MACOM. The intent is for these centers to function as a clearinghouse by soliciting, identifying, consolidating, organizing and disseminating best practices and lessons learned in service contracting. The MACOM's should consolidate and post these best practices and lessons learned on their respective website. It is the responsibility of the MACOM to perform a quality review of these documents prior to posting and periodically thereafter.

Over the past years services have become an increasingly significant component of what the Army buys. As of Fiscal Year (FY) 1999, service contracting represents 40 percent of our actions and almost 30 percent of our contract dollars. These figures have increased at a rate of one to two percent per year. While the current intent is for these centers of excellence to function as service contracting clearinghouses, the future may afford us the occasion to expand into all aspects of service contracting. Accordingly, we have an opportunity to develop a powerful knowledge tool that will result in a

collaborative community of practice. I will provide you with additional implementation information and milestones as they become available. Thank you in advance for your effort and contributions.

My point of contact for this action is Mr. Robert Friedrich, SAAL-PS, (703) 681-7577, fax -7580, e-mail [friedrir@sarda.army.mil](mailto:friedrir@sarda.army.mil).



Edward G. Elgart  
Acting Deputy Assistant Secretary of the Army  
(Procurement)

Enclosure

**DISTRIBUTION:**

**PRINCIPAL ASSISTANTS RESPONSIBLE FOR CONTRACTING**

Headquarters, U.S. Army Materiel Command, ATTN: AMCRDA-AC  
(PARC), 5001 Eisenhower Avenue, Alexandria, VA 22333-0001

U.S. Army Aviation and Missile Command, ATTN: AMSAM-AC,  
Building 4488, Redstone Arsenal, AL 35898-5000

U.S. Army Robert Morris Acquisition Center, ATTN: AMSSB-AC,  
4118 Susquehanna Avenue, Aberdeen Proving Ground, MD  
21005-5002

U.S. Army Communications-Electronics Command, ATTN: AMSEL-AC,  
Building 1208E, Fort Monmouth, NJ 07703-5000

U.S. Army Operations Support Command, ATTN: AMSOS-CC, Building  
350, 5<sup>th</sup> Floor, N Wing, Rock Island, IL 61299-6000

U.S. Army Tank-Automotive and Armaments Command, ATTN:  
AMSTA-AQ, Building 231, Warren, MI 48397-5000

Defense Supply Service - Washington, 5200 Army Pentagon, Room  
1E230, Washington, DC 20310-5200

Headquarters, Forces Command, ATTN: AFLG-PR, 1777 Hardee Avenue  
SW, Fort McPherson, GA 30330-1062

Third United States Army/U.S. Army Forces Central Command, 1301 \  
Anderson Way SW, Fort McPherson, GA 30330-1064

U.S. Army Medical Command, ATTN: MCAA, Building 2792, Suite 32,  
2050 Worth Road, Fort Sam Houston, TX 78234-5069

U.S. Army Intelligence & Security Command, ATTN: IAPC, 8825 Beulah  
Street, Fort Belvoir, VA 22060-5246

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**Military Traffic Management Command, ATTN: MTAQ, Hoffman Building II, 200 Stovall Street, Alexandria, VA 22332-5000**

**U.S. Army Space and Missile Defense Command, ATTN: SMDC-CM (PARC), P.O. Box 1500, Huntsville, AL 35807-3801**

**U.S. Army Training and Doctrine Command, DCSBOS, ATTN: ATBO-A, 5 North Gate Road, Building 5F, Room 306, Fort Monroe, VA 23651-1048**

**U.S. Army Contracting Command, Europe, ATTN: AEAPR-PA (PARC), Unit 29331, APO AE 09266**

**Headquarters, Eighth United States Army, ATTN: FKAQ/EAAQ, Unit 15237, APO AP 96205-0010**

**U.S. Army, Pacific, ATTN: APAM, B Street, Building T-115, Fort Shafter, HI 96858-5100**

**U.S. Army South, ATTN: PARC, Building 218, Fort Buchanan, PR 00934**

**U.S. Army Corps of Engineers, ATTN: CEPR-ZA, 441 G Street, NW, Washington, DC 20548**

**National Guard Bureau, ATTN: NGB-AQ, Suite 8300, Jefferson Plaza 1, 1411 Jefferson Davis Highway, Arlington, VA 22202-3231**

**CF:**

**Assistant Deputy Chief of Staff for Research, Development and Acquisition (Acquisition, Contracting and Program Management), HQ, U.S. Army Materiel Command, ATTN: AMCRDA-A, 5001 Eisenhower Avenue, Alexandria, VA 22333-0001**

## H.R.5408

Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Introduced in the House)

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### SEC. 821. IMPROVEMENTS IN PROCUREMENTS OF SERVICES.

(a) **PREFERENCE FOR PERFORMANCE-BASED SERVICE CONTRACTING-** Not later than 180 days after the date of the enactment of this Act, the Federal Acquisition Regulation issued in accordance with sections 6 and 25 of the Office of Federal Procurement Policy Act (41 U.S.C. 405 and 421) shall be revised to establish a preference for use of contracts and task orders for the purchase of services in the following order of precedence:

- (1) A performance-based contract or performance-based task order that contains firm fixed prices for the specific tasks to be performed.
- (2) Any other performance-based contract or performance-based task order.
- (3) Any contract or task order that is not a performance-based contract or a performance-based task order.

(b) **INCENTIVE FOR USE OF PERFORMANCE-BASED SERVICE CONTRACTS-** (1) A Department of Defense performance-based service contract or performance-based task order may be treated as a contract for the procurement of commercial items if--

- (A) the contract or task order is valued at \$5,000,000 or less;
- (B) the contract or task order sets forth specifically each task to be performed and, for each task--
  - (i) defines the task in measurable, mission-related terms;
  - (ii) identifies the specific end products or output to be achieved; and
  - (iii) contains a firm fixed price; and
- (C) the source of the services provides similar services contemporaneously to the general public under terms and conditions similar to those offered to the Federal Government.

(2) The special simplified procedures provided in the Federal Acquisition Regulation pursuant to section 2304(g)(1)(B) of title 10, United States Code, shall not apply to a performance-based service contract or performance-based task order that is treated as a

contract for the procurement of commercial items under paragraph (1).

(3) Not later than 2 years after the date of the enactment of this Act, the Comptroller General shall submit a report on the implementation of this subsection to the congressional defense committees.

(4) The authority under this subsection shall not apply to contracts entered into or task orders issued more than 3 years after the date of the enactment of this Act.

(c) **CENTERS OF EXCELLENCE IN SERVICE CONTRACTING-** Not later than 180 days after the date of the enactment of this Act, the Secretary of each military department shall establish at least one center of excellence in contracting for services. Each center of excellence shall assist the acquisition community by identifying, and serving as a clearinghouse for, best practices in contracting for services in the public and private sectors.

(d) **ENHANCED TRAINING IN SERVICE CONTRACTING-** (1) The Secretary of Defense shall ensure that classes focusing specifically on contracting for services are offered by the Defense Acquisition University and the Defense Systems Management College and are otherwise available to contracting personnel throughout the Department of Defense.

(2) The Secretary of each military department and the head of each Defense Agency shall ensure that the personnel of the department or agency, as the case may be, who are responsible for the awarding and management of contracts for services receive appropriate training that is focused specifically on contracting for services.

(e) **DEFINITIONS-** In this section:

(1) The term 'performance-based', with respect to a contract, a task order, or contracting, means that the contract, task order, or contracting, respectively, includes the use of performance work statements that set forth contract requirements in clear, specific, and objective terms with measurable outcomes.

(2) The term 'commercial item' has the meaning given the term in section 4(12) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(12)).

(3) The term 'Defense Agency' has the meaning given the term in section 101(a)(11) of title 10, United States Code.

## **SEC. 822. FINANCIAL ANALYSIS OF USE OF DUAL RATES FOR QUANTIFYING OVERHEAD COSTS AT ARMY AMMUNITION PLANTS.**

(a) **REQUIREMENT FOR ANALYSIS-** The Secretary of the Army shall carry out a financial analysis of the costs that would be incurred and the benefits that would be derived from the implementation of a policy of using--

(1) one set of rates for quantifying the overhead costs associated with Government-owned ammunition plants of the Department of the Army when allocating those costs to contractors operating the plants; and

(2) another set of rates for quantifying the overhead costs to be allocated to the operation of such plants by employees of the United States.

(b) **REPORT-** Not later than February 15, 2001, the Secretary shall submit to the congressional defense committees a report on the results of the analysis carried out under subsection (a). The report shall include the following: