



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON, DC 20350-2000

OPNAVINST 4200.7 CH-1
N41
28 Aug 2013

OPNAV INSTRUCTION 4200.7 CHANGE TRANSMITTAL 1

Subj: OFFICE OF THE CHIEF OF NAVAL OPERATIONS SERVICES CONTRACT
REQUIREMENTS MANAGEMENT

Encl: (1) Revised Page 7
(2) Revised Page 8
(3) Revised Page 9

1. Purpose. To change Commander, Naval Supply Systems Command (NAVSUPSYSCOM) and Fleet Logistics Center Norfolk (NAVSUP FLC NORFOLK) contract support services contract performance metric reporting requirements to the Director, Naval Staff (DNS) to allow sufficient time for data assembly and staffing of reports and to remove redundant reporting requirements.

2. Action. Remove pages 7 through 9 of the basic instruction and insert enclosures (1), (2), and (3) respectively.

A handwritten signature in black ink, appearing to read "P. H. Cullom", is positioned above the typed name and title.

P. H. CULLOM
Deputy Chief of Naval Operations
(Fleet Readiness and Logistics)

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13 Sep 2012

OPNAV INSTRUCTION 4200.7

From: Chief of Naval Operations

Subj: OFFICE OF THE CHIEF OF NAVAL OPERATIONS SERVICES
CONTRACT REQUIREMENTS MANAGEMENT

Ref: (a) ASN(RD&A) memo of 1 Dec 2006, Acquisition of Services
(b) Section 812 of the National Defense Authorization Act
for Fiscal Year 2006
(c) USD(AT&L) memo of 2 Oct 2006, Acquisition of Services
Policy
(d) NAVSUPINST 4205.3D
(e) ASN(RD&A) memo of 18 May 2010, Department of Defense
Standard for Certification of Contracting Officer's
Representatives (COR) for Services Acquisitions
(f) NAVSUPINST 4200.83H

Encl: (1) OPNAV Services Contract Requirements Tripwires

1. Purpose. To prescribe policy, responsibility, and
procedures for services contract requirements management and
oversight for the Office of the Chief of Naval Operations
(OPNAV).

2. Background

a. Reference (a) established the Department of the Navy
(DON) process for oversight and management of the acquisition of
services by implementing references (b) and (c).

b. Contractor support obtained through award of service
contracts is essential to OPNAV's successful execution of its
mission, functions, and tasks. Contractor support services
(CSS) contracts require appropriate governance and disciplined
oversight and management procedures to achieve best value and
mission accomplishment.

3. Scope. This policy shall apply to requirements for CSS in support of the OPNAV staff, including those that are funded by a NAVCOMPT 2276 Request for Contractual Procurement (RCP), military interdepartmental purchase request (MIPR), project order, or any other method for obtaining contractor support.

4. Definitions

a. Decision Authority. The individual who has the inherent or delegated authority to review and approve strategies for services contract requirements.

b. Inherently Governmental. The Office of Management and Budget's Office of Federal Procurement Policy memorandum, released 9 September 2011, defines an inherently governmental function as "so intimately related to the public interest as to require performance by federal government employees." Included are functions that require either the exercise of discretion in applying Federal Government authority or value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements.

c. OPNAV Requirements Review Board (ORRB). The ORRB is convened to coordinate and control the requirements generation and prioritization of OPNAV services that are needed in support of the OPNAV mission and is normally chaired by the Director, Navy Staff (DNS). The ORRB's primary role is to make specific approval and prioritization recommendations for all OPNAV staff services requirements and to include recommendations on the appropriate source of support for these requirements. The ORRB is not a contracting board.

d. Service Contract. As defined in Federal Acquisition Regulation (FAR), subpart 37.101, a service contract is "a contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply." Examples of CSS include knowledge-based services, ongoing analysis support, electronic and communication services, equipment related services, medical services, facility-related services, transportation services, or recurring studies.

5. Policy

a. It is imperative that OPNAV contractor requirements be properly planned and administered in compliance with applicable statutes and regulations for the procurement of services. The goal is to achieve appropriate support at best value to the government.

b. Governance

(1) The ORRB will be chartered to provide for consistent review and approval of requirements for services.

(2) The Director of Logistics Programs and Business Operations Division (OPNAV (N41)) will lead the OPNAV staff in the management of CSS requirements, analysis, assessment of CSS data, and the disciplined administration of CSS contracts.

c. Execution

(1) For each CSS requirement, OPNAV requestors will submit an acquisition strategy document prepared following reference (a) for review and approval by the ORRB. Requestors will address:

(a) Requirements development and management;

(b) Acquisition planning;

(c) Risk management;

(d) Contract tracking (of both contract deliverables and contractor performance) and oversight; and

(e) Performance evaluation.

(2) Risk management plans will expressly incorporate measures intended to combat fraud and the factors that contribute to fraud. Biannually, OPNAV (N41) will lead a review of these plans to determine effectiveness of quality assurance surveillance plans and measures to mitigate fraud risk.

(3) Enclosure (1) establishes the tripwires that invoke higher level notification and approval. These are designed to

provide consistent oversight and management across OPNAV. The tripwires apply to all types of service contracts and address bridge contracting actions, best value source selection premiums, other direct costs (ODC), labor rates and performance, subcontractors, and one bids.

6. Responsibilities. The following organizational duties and responsibilities are described:

a. DNS, as the OPNAV services contract requirements decision authority, has overall responsibility for management and execution oversight of all OPNAV services requirements. DNS shall:

(1) Chair the ORRB.

(2) Maintain oversight of ORRB and OPNAV contracts to ensure judiciousness and oversight, including compliance with the Procurement Integrity Act; Competition in Contracting Act (CICA); applicable Federal, Department of Defense (DoD), and DON Acquisition Regulations; and Joint Ethics Regulations.

(3) Provide funding authorization from a centralized operations and maintenance, Navy funding line for all OPNAV services contract actions, including those which are funded by a NAVCOMPT 2276, MIPR, project order or other vehicle that will inevitably result in an obligation and expenditure of funds.

(4) In coordination with Naval Supply Systems Command (NAVSUPSYSCOM), identify training resources and requirements.

(5) In coordination with NAVSUPSYSCOM, ensure all OPNAV contracting officer representatives (CORs) required training and certification requirements are documented, current, and on file.

(6) Designate a lead COR for contracts that span multiple OPNAV directorates and nominate the lead COR in writing for subsequent appointment by the contracting officer.

(7) Conduct quarterly meetings with each directorate to address any process or performance issues and corrective actions required.

b. OPNAV directors shall comply with the following guidance and procedures:

(1) Responsible and accountable for the approval of contract requirements under their cognizance, per this instruction.

(2) Shall assign a point of contact that is responsible to DNS for managing and tracking all requests for contract support, associated with the respective directorate or division. Annual and recurring studies will be included in this process as specified in paragraph 6d.

(3) Nominate, via the Contracting Officer Representative Tracking (CORT) Tool (<https://arc.army.mil/DoDCOR/>) (NOTAL), a COR to monitor contractor performance and perform the duties as delineated in references (d) and (e).

(4) Ensure COR certification and designation letters are on file within the CORT Tool.

(5) Assign a Senior Executive Service (SES) member to manage the cadre of CORs in a business unit and ensure the SES and COR responsibilities are prescribed in the individual's performance standards. The level of required contract oversight, with particular focus on pressurizing bridge contracts, fully burdened labor rates, and other tripwires outlined in enclosure (1), shall be specifically evaluated in both the SES and COR's routine performance appraisals.

(6) Ensure the nominated COR has completed all mandatory training requirements to obtain and maintain COR certification per reference (d).

(7) Maintain and provide DNS a current listing of all assigned CORs and associated contracts.

(8) Seek guidance from NAVSUPSYSCOM in ensuring all requestors understand the services contract requirements process and provide training as necessary. Ensure OPNAV service contracts are not financed using program (i.e., echelon 2) funding. OPNAV staff support shall not be funded with Navy

Working Capital Funds (NWCF). In consultation with NAVSUPSYSCOM, look for strategic opportunities to consolidate requirements to obtain the best value across the OPNAV staff.

(9) Develop, validate, and approve procurement requests for services and supporting documents per reference (a). This includes the statement of work or performance work statement, independent government estimate, purchase request, or other encumbrance document, as well as draft any other associated contract support documentation required (e.g., justification and approval (J&A), determination and findings, acquisition plan, etc.). Obtain appropriate directorate or division approval for the services requirement prior to submitting the procurement package to DNS.

(10) Approve bridge contracts as specified in enclosure (1). Responsible to ensure contracts in their division are adjudicated per this instruction and tripwires of enclosure (1).

c. Deputy Chief of Naval Operations for Fleet Readiness and Logistics (CNO (N4)) shall:

(1) Provide resourcing, oversight, and coordination for the Navy's Business Operations Office.

(2) Assess readiness impacts of business transformation on the force.

(3) Keep Vice Chief of Naval Operations informed on findings, recommendations, and plans of action.

d. OPNAV (N41) shall:

(1) Serve as the executive secretary to the ORRB.

(2) As the Director of the Navy Business Operations Office, manage analysis and assessment of ORRB data, discussions and results, and make appropriate adjustments to OPNAV services requirement policy and or procedures.

(3) Be responsible to CNO (N4) for accomplishment of assigned business transformation responsibilities.

e. Director, Assessments Division (OPNAV (N81)) shall serve as the central clearing house for all OPNAV annual and recurring studies. Such studies, including those in support of the integrated analytic agenda, will be governed under this instruction and shall comply with Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN RD&A) policy and the established service contract requirement review process.

f. Commander, NAVSUPSYSCOM shall:

(1) Serve as the single point of submission for all OPNAV CSS requirements.

(2) Provide guidance and expertise on the OPNAV services requirements contracting process. Specifically, issue the formal process for contracting for CSS, to include required documentation and the timeline for submission by OPNAV. Establish metrics to reflect effectiveness of CSS contract support, including requirements definition and contract award, and report to DNS on a quarterly basis, assigned OPNAV RCS 4200-3. Reports shall be submitted to DNS no later than 30 calendar days following the end of each quarter. An annual performance metric report, assigned OPNAV RCS 4200-4, shall satisfy the quarterly reporting requirement for the fourth quarter.

(3) Ensure that OPNAV service contracts comply with applicable statutes, regulations, policies, and other requirements. These include the Competition in Contracting Act; Public Law 100-453, Organizational Conflict of Interest; the Procurement Integrity Act; the Anti-Deficiency Act; Personal Services and Joint Ethics Regulations, and the Proper Use of Non-DoD Contracts policy memorandum issued on 29 October 2004 by the Acting Under Secretary of Defense (Comptroller).

(4) Establish a training curriculum to cover key areas of the process from development of requirements to contract closeout that includes, at a minimum, market research, source selection, and effective contract management. NAVSUPSYSCOM will provide initial concentrated training for OPNAV action officers to give them a better understanding of their responsibilities for effectively managing contractor services from planning to payment. Specifically, OPNAV services contracts shall not be

financed using program (i.e., echelon 2) funding and OPNAV staff support shall not be funded with NWCFs. This training is provided on a regular periodicity, or as requested.

(5) Designate a permanent liaison to provide OPNAV a ready resource for customers in the Pentagon to consult as they develop a way ahead for CSS.

(6) Provide guidance in preparing procurement requests to ensure required documentation is completed per enclosure (4) of reference (f).

g. NAVSUPSYSCOM Fleet Logistics Center Norfolk (NAVSUP FLT LOG CTR NORFOLK) is the designated contracting office responsible for OPNAV services requirements. NAVSUP FLT CTR LOG NORFOLK shall:

(1) Receive all OPNAV services contract requirements.

(2) Per reference (d), conduct annual COR functional reviews.

(3) Provide the contracting officer responsible for acquisition planning, solicitation, evaluation, source selection, award, and administration for OPNAV services contract requirements.

7. Required Actions

a. OPNAV (N41) issues ORRB guidance and follow-on guidance for transitioning to the desired OPNAV services requirement end state.

b. OPNAV (N41), in conjunction with the Defense Acquisition University and Deputy Assistant Secretary of the Navy, Acquisition and Procurement, coordinate and conduct an annual OPNAV services acquisition workshop.

8. Records Management. Records created as a result of this directive, regardless of media and format, shall be managed per Secretary of the Navy Manual 5210.1 of January 2012.

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9. Reports Control. The quarterly and annual reporting requirements contained in paragraph 6(f)2 are assigned the OPNAV report control symbols (RCS) 4200-3 and 4200-4, respectively. These RCS' are licensed for 3 years from the effective date of this instruction at which point the sponsor may cancel or relicense the collection.

/s/

M. E. FERGUSON, III
Admiral, U.S. Navy
Vice Chief of Naval Operations

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OPNAV Services Contract Requirement Tripwires

1. Tripwires. The purpose of this document is to provide initial policy in the planning and execution of service contract requirements and to provide some tools to assist in performing leadership oversight. There are several tripwires which require senior level awareness and action. These tripwires are tools to force visibility and conscious decisions at higher management levels and to ensure the decisions are documented. Tripwires are not intended to preclude execution, but instead to require higher level concurrence or notifications before continuing to execute. These tripwires apply to all types of service contracts and have been identified herein.

2. Scope. These tripwires do not encompass all the areas of service acquisition which require oversight and risk management. However, this list is intended to raise awareness and accountability across both the requirements and acquisition communities, and initiate the vigorous implementation of actions to improve government oversight, efficiencies, and effectiveness.

3. Bridge Contracting Actions. Bridge contracts are defined as sole source actions entered into with the incumbent contractor to maintain support when competitive procurement cannot be processed in time to meet the required award date. All sole source actions require J&As. Often bridges are the result of poor planning and are more costly due to a lack of competitive pricing. For bridge contracts in support of OPNAV requirements:

a. Bridge contracts shall normally be limited to 6 months in duration and will be approved by the cognizant Deputy Chief of Naval Operations. DNS is authorized to waive the 6-month limit and approve a bridge contract for no longer than 12 months. This 12-month limit shall not be waived. J&As for all bridge contracts longer than a 6 month period of performance will be forwarded to the ORRB for notification and review prior to approval by cognizant NAVSUPSYSCOM principal.

b. Only one bridge contract may be authorized. Subsequent bridge contracts shall not be awarded.

c. Each bridge contract shall be limited to no more than \$3 million. Contracts anticipated to exceed \$3 million shall be forwarded to DNS for approval.

d. J&As for all bridge contracts, regardless of value, will include OPNAV division director signature under the technical cognizance section of the J&A and OPNAV N-code signature under requirements cognizance section. In J&A paragraph 8, "Actions to Remove Barriers to Competition," the OPNAV N-code shall provide a detailed explanation that includes a schedule for a competitively awarded follow-on contract.

4. Best Value Source Selection Premiums

a. In a best value competition, the government may be willing to pay a premium in order to obtain a higher rated level of support; however, the premium still must represent a good business decision for the government. Often requirements offices are willing to pay any premium to get to the highest rated offer, as long as they have the budget to afford it. Being able to afford something does not necessarily mean it is in the best interest of the government to do so.

b. Best value is a function of technical quality and cost trade-offs among competing proposals. Best value determinations are not made through mechanical calculations. As technical proposals approach equality, cost may become a more significant factor. The greater than 10 percent tripwire described below does not suggest there is anything impermissible with respect to paying a greater than 10 percent premium, only that additional reviews may be required, as determined by the procurement contracting officer (PCO) and source selection authority (SSA). The decision to obtain further review is subject to rules regarding the protection of source selection information, as defined in FAR subpart 3.104. The PCO and SSA request for a higher level review applies in instances where the total value of the procurement is greater than \$10 million and the best value source selection dollar value premium greater than 10 percent over lowest acceptable offer's total evaluated cost and price.

5. ODCs

a. While a service contract is appropriate when the primary purpose is to perform an identifiable task, materials are often required to perform these services. It may be appropriate for a service contractor to procure materials under a service contract; however, there are a number of considerations that enter into developing an appropriate strategy to meet any requirement.

b. ODCs are intended to include travel and incidental miscellaneous expenses required and generally consumed in performance of the service. They are not intended to hide expensive consultants or subcontractors, or for the government to purchase material by circumventing existing policies and procedures. Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management) memorandum dated 15 May 2007 emphasizes "the need to ensure that service contracts are not improperly used to acquire products or facilities not required for, or incidental to, performance of those services."

c. Required actions

(1) Prior To Award. If ODCs are estimated greater than 10 percent of the total labor value or \$1 million (whichever is lower) for any given contract, then the rationale for the ODC requirements must be provided to the PCO and the methods for monitoring these ODC charges shall be documented in the Quality Assurance Surveillance Plan. It is expected that individual task orders under indefinite delivery, indefinite quantity services contracts may have a disproportionate (i.e., greater than 10 percent) amount of ODCs included; however in these instances justification and rationale shall be included in the acquisition strategy. When excessive ODCs are comprised of material items, an explanation as to why these costs are not specifically defined and managed as supply items shall be provided and documented. Generally speaking, travel and conference fees associated with representing the OPNAV staff at professional or technical conferences is not an acceptable ODC.

(2) Post Award. The COR shall monitor monthly the use of ODCs.

6. Labor Rates and Performance. For competitive cost-type and time and materials, as appropriate, service contracts and task orders:

a. Prior to Award. When proposed fully burdened labor rates are in excess of \$300,000 per year or \$155 per hour for a full time equivalent within any labor category, or \$35 per hour for a "blue collar" labor category covered under the Service Contract Act, the PCO shall investigate the appropriate nature of such rates as part of cost realism analysis. When multiple labor categories are contemplated in satisfying a services requirement, fully burdened labor rate caps should be applied to each standard labor category.

b. Post Award. The COR shall monitor monthly actual spend data and notify the PCO and OPNAV requirements manager if the amount on the invoice does not match the amount awarded in the contract, including all modifications.

7. Subcontractors

a. Post award due diligence is required to monitor any proposed additions of subcontractors beyond those included and evaluated as part of the initial award. The government cannot be perceived as exerting improper influence on the prime contractor to contract with specific subcontractors. The government does not have privilege of contract with the subcontractor, only with the prime. It is the prime's responsibility to propose a team to accomplish the requirements, and it is the prime's responsibility to select additional subcontractors if it becomes necessary to supplement the team.

b. Required actions

(1) When applicable, the proposed subcontractor addition must be reviewed first by the PCO to ensure the contractor has provided the required documentation (per FAR, part 44.201) and that the information clearly presents the business case for the addition of the subcontractor(s). If the PCO is comfortable with the business case presented by the contractor, the PCO shall pass the request on to the COR, who must receive concurrence from the OPNAV requirements manager (or equivalent

requirements holder). OPNAV requirements manager concurrence may be elevated to higher levels as determined or specified by the cognizant Deputy Chief of Naval Operations.

(2) The COR shall remain vigilant in order to identify subcontractor changes or additions that may not be covered by the contract or task order, including all modifications, or may present potential organizational conflict of interest issues.

8. One Bids

a. Effective competition is one of the most powerful tools the government has to affect real efficiency and do more with less. Single offers, or "one bids," can be the result of several factors: inadequate time to prepare a proposal, poorly described defined requirements, or evaluation factors that appear to be tailored to an incumbent or target a specific contractor.

b. When a solicitation results in a single bid offer, the PCO shall either re-solicit the requirement or enter into negotiations, the result of which will be reflected in the business clearance memorandum. Business clearance memorandum approval for all one bid procurements greater than \$150,000 will follow NAVSUP FLT LOG CTR NORFOLK VA policy and procedures.

c. One bid received under a competitive solicitation shall be reported by the PCO to the cognizant OPNAV requirements manager.