Part 34 - Major System Acquisition

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Parent topic: Federal Acquisition Regulation

34.000 Scope of part.

This part describes *acquisition* policies and procedures for use in acquiring *major systems* consistent with OMB Circular No. A-109; and the use of an *Earned Value Management System* in *acquisitions* designated as major *acquisitions* consistent with OMB Circular A-11, part 7.

34.001 Definition.

Effective competition, as used in this part, is a market condition that exists when two or more contractors, acting independently, actively contend for the Government's business in a manner that ensures that the Government will be offered the lowest cost or price alternative or best technical design meeting its minimum needs.

34.002 Policy.

The policies of this part are designed to ensure that agencies acquire *major systems* in the most effective, economical, and timely manner. Agencies acquiring *major systems shall*-

(a) Promote innovation and *full and open competition* as required by part 6 in the development of *major system* concepts by-

(1) Expressing agency needs and *major system acquisition* program objectives in terms of the agency's mission and not in terms of specified systems to satisfy needs, and

(2) Focusing agency resources and special management attention on activities conducted in the initial stage of major programs; and

(b) Sustain *effective competition* between alternative system concepts and sources for as long as it is beneficial.

34.003 Responsibilities.

(a) As required by A-109, the *agency head* or designee *shall* establish written procedures for its implementation.

(b) The agency procedures *shall* identify the key decision points of each *major system acquisition* and the agency official(s) for making those decisions.

(c) Systems *acquisitions* normally designated as major are those programs that, as determined by the *agency head*, (1) are directed at and critical to fulfilling an agency mission need, (2) entail allocating relatively large resources for the particular agency, and (3) warrant special management attention, including specific agency-head decisions. The agency procedures *may* establish additional criteria, as specified in A-109, for designating major programs system *acquisitions*.

34.004 Acquisition strategy.

The program manager, as specified in agency procedures, *shall* develop an *acquisition* strategy tailored to the particular *major system acquisition* program. This strategy is the program manager's overall plan for satisfying the mission need in the most effective, economical, and timely manner. The strategy *shall* be *in writing* and prepared in accordance with the requirements of subpart 7.1, except where inconsistent with this part, and *shall* qualify as the *acquisition* plan for the *major system acquisition*, as required by that subpart.

34.005 General requirements.

34.005-1 Competition.

(a) The program manager *shall*, throughout the *acquisition* process, promote *full and open competition* and sustain *effective competition* between alternative *major system* concepts and sources, as long as it is economically beneficial and practicable to do so. Notice of the proposed *acquisition shall* be given the broadest and most effective circulation practicable throughout the business, academic, and Government communities. Foreign contractors, technology, and equipment *may* be considered when it is feasible and permissible to do so.

(b) The *contracting officer should* time *solicitation* issuance and contract award to maintain continuity of concept development during the transition from with-drawing concept proposer to new contractor.

34.005-2 Mission-oriented solicitation.

(a) Before issuing the *solicitation*, whenever practicable and consistent with agency procedures, the *contracting officer should* take the actions outlined in paragraphs (a)(1) and (2):

(1) Advance notification of the *acquisition should* be given the widest practicable dissemination, including publicizing through the *Governmentwide point of entry* (see subpart 5.2) and *should* be sent to as wide a selection of potential sources as practicable, including smaller and newer firms, Government laboratories, *federally funded research and development centers*, educational institutions and other not-for-profit organizations, and, if it would be beneficial and is not prohibited, foreign sources.

(2) If appropriate, hold a presolicitation conference (see 15.201) and/or send copies of the proposed *solicitation* to all prospective *offerors* for their comments. After evaluation of these comments, the *solicitation should* be revised, if appropriate.

(b) The *contracting officer shall* send the final *solicitation* to all prospective *offerors*. It *shall*-

(1) Describe the nature of the need in terms of mission capabilities required, without reference to any specific systems to satisfy the need;

(2) Indicate, and explain when appropriate, the schedule, capability, and cost objectives and any known constraints in the *acquisition*;

(3) Provide, or indicate how access can be obtained to, all Government data related to the *acquisition*;

(4) Include selection requirements consistent with the *acquisition* strategy; and

(5) Clearly state that each *offeror* is free to propose its own technical approach, main design features, subsystems, and alternatives to schedule, cost, and capability goals.

(6) Require the use of an *Earned Value Management System* that complies with the guidelines of Electronic Industries Alliance Standard 748 (EIA-748) (current version at time of *solicitation*). See 34.201 for *earned value management systems* and reporting requirements.

(c) To the extent practicable, the *solicitation shall* not reference or mandate Government specifications or standards, unless the agency is mandating a subsystem or other *component* as approved under agency procedure.

34.005-3 Concept exploration contracts.

Whenever practicable, contracts to be performed during the concept exploration phase *shall* be for relatively short periods, at planned dollar levels. These contracts are to refine the proposed concept and to reduce the concept's technical uncertainties. The scope of work for this phase of the program *shall* be consistent with the Government's planned budget for the phase. Follow-on contracts for such tasks in the exploration phase *shall* be awarded as long as the concept approach remains promising, the contractor's progress is acceptable, and it is economically practicable to do so.

34.005-4 Demonstration contracts.

Whenever practicable, contracts for the demonstration phase *should* provide for contractors to submit, by the end of the phase, priced proposals, totally funded by the Government, for full-scale development. The *contracting officer should* provide contractors with operational test conditions, performance criteria, life cycle cost factors, and any other selection criteria necessary for the contractors to prepare their proposals.

34.005-5 Full-scale development contracts.

Whenever practicable, the full-scale development contracts *should* provide for the contractors to submit priced proposals for production that are based on the latest quantity, schedule, and logistics requirements and other considerations that will be used in making the production decision.

34.005-6 Full production.

Contracts for full production of successfully tested *major systems* selected from the full-scale development phase *may* be awarded if the *agency head*-

(a) Reaffirms the mission need and program objectives; and

(b) Grants approval to proceed with production.

Subpart 34.1 - Testing, Qualification and Use of Industrial Resources Developed Under TitleIII, Defense Production Act

34.100 Scope of subpart.

This subpart prescribes policies and procedures for the testing, qualification, and use of industrial resources manufactured or developed with assistance provided under section 301, 302, or 303 of the Defense Production Act (50 U.S.C. App.2091-2093). TitleIII of the Defense Production Act authorizes various forms of Government assistance to encourage expansion of production capacity and supply of industrial resources essential to *national defense*.

34.101 Definitions.

Item of supply, as used in this subpart, means any individual part, *component*, subassembly, assembly, or subsystem integral to a *major system*, and other property which *may* be replaced during the service life of the system. The term includes spare parts and replenishment parts, but does not include packaging or labeling associated with *shipment* or identification of an "item."

34.102 Policy.

It is the policy of the Government, as required by Section 126 of Public Law102-558, to pay for any testing and qualification required for the use or incorporation of the industrial resources manufactured or developed with assistance provided under TitleIII of the Defense Production Act of1950.

34.103 Testing and qualification.

(a) Contractors receiving requests from a TitleIII project contractor for testing and qualification of a TitleIII industrial resource *shall* refer such requests to the *contracting officer*. The *contracting officer shall* evaluate the request in accordance with agency procedures to determine whether: (1) the TitleIII industrial resource is being or potentially *may* be used in the development or manufacture of a *major system* or *item of supply*; and (2) for *major systems* in production, remaining quantities to be acquired are sufficient to justify incurring the cost of testing and qualification. In evaluating this request, the *contracting officer shall* consult with the Defense Production Act Office, TitleIII Program, located at:

Wright Patterson Air Force Base OH 45433-7739.

(b) If the determination at 34.103(a) is affirmative, the *contracting* officer *shall* modify the contract to require the contractor to test the TitleIII industrial resource for qualification.

(c) The Defense Production Act Office, TitleIII Program, *shall* provide to the contractor the industrial resource produced by the TitleIII project contractor in sufficient amounts to meet testing needs.

34.104 Contract clause.

Insert the clause at 52.234-1, Industrial Resources Developed under TitleIII, Defense Production Act, in all contracts for *major systems* and items of supply.

Subpart 34.2 - Earned Value Management System

34.201 Policy.

(a) An *Earned Value Management System* (EVMS) is required for major *acquisitions* for development, in accordance with OMB Circular A-11. The Government *may* also require an EVMS for other *acquisitions*, in accordance with agency procedures.

(b) If the *offeror* proposes to use a system that has not been determined to be in compliance with the Electronic Industries Alliance Standard 748 (EIA-748), the *offeror shall* submit a comprehensive plan for compliance with these EVMS standards. *Offerors shall* not be eliminated from consideration for contract award because they do not have an EVMS that complies with these standards.

(c) As a minimum, *contracting officers shall* require contractors to submit EVMS monthly reports for those contracts for which an EVMS applies.

(d) EVMS requirements will be applied to subcontractors using the same rules as applied to the prime contractor.

(e) When an *offeror* is required to provide an EVMS plan as part of its proposal, the *contracting officer* will determine the adequacy of the proposed EVMS plan prior to contract award.

34.202 Integrated Baseline Reviews.

(a) When an EVMS is required, the Government will conduct an Integrated Baseline Review (IBR).

(b) The purpose of the IBR is to verify the technical content and the realism of the related performance budgets, resources, and schedules. It *should* provide a mutual understanding of the inherent risks in *offerors*'/ contractors' performance plans and the underlying management control systems, and it *should* formulate a plan to handle these risks.

(c) The IBR is a joint assessment by the *offeror* or contractor, and the Government, of the-

(1) Ability of the project's technical plan to achieve the objectives of the scope of work;

(2) Adequacy of the time allocated for performing the defined tasks to successfully achieve the project schedule objectives;

(3) Ability of the Performance Measurement Baseline (PMB) to successfully execute the project and attain cost objectives, recognizing the relationship between budget resources, funding, schedule, and scope of work;

(4) Availability of personnel, facilities, and equipment when required, to perform the defined tasks

needed to execute the program successfully; and

(5) The degree to which the management process provides effective and integrated technical/schedule/cost planning and baseline control.

(d) The timing and conduct of the IBR *shall* be in accordance with agency procedures. If a pre-award IBR will be conducted, the *solicitation must* include the procedures for conducting the IBR and address whether *offerors* will be reimbursed for the associated costs. If permitted, reimbursement of *offerors*' pre-award IBR costs is governed by the provisions of FAR part 31.

34.203 Solicitation provisions and contract clause.

(a) The *contracting officer shall* insert a provision that is substantially the same as the provision at FAR 52.234-2, Notice of *Earned Value Management System*-Preaward Integrated Baseline Review, in *solicitations* for contracts that require the contractor to use an *Earned Value Management System* (EVMS) and for which the Government requires an Integrated Baseline Review (IBR) prior to award.

(b) The *contracting officer shall* insert a provision that is substantially the same as the provision at 52.234-3, Notice of *Earned Value Management System*-Postaward Integrated Baseline Review, in *solicitations* for contracts that require the contractor to use an *Earned Value Management System* (EVMS) and for which the Government requires an Integrated Baseline Review (IBR) after contract award.

(c) The *contracting officer shall* insert a clause that is substantially the same as the clause at FAR 52.234-4, *Earned Value Management System*, in *solicitations* and contracts that require a contractor to use an EVMS.