# Subpart 209.5 - ORGANIZATIONAL AND CONSULTANT CONFLICTS OF INTEREST

**Parent topic:** Part 209 - CONTRACTOR QUALIFICATIONS

## 209.503 [Reserved]

### 209.503-70 Waiver.

Notwithstanding FAR 9.503, for consulting services, as defined at 209.572(b), the waiver approval authority is the Secretary of Defense and the following officials, without power of delegation below an official appointed by the President and confirmed by the Senate:

(a) The Under Secretary of Defense (Acquisition and Sustainment).

(b) The assistant secretaries of the military departments. (See PGI 209.503-70.)

## 209.505 General rules.

### 209.505-4 Obtaining access to proprietary information.

(b)(i) For contractors, other than litigation support contractors, accessing third party proprietary technical data or computer Software, nondisclosure requirements are addressed at 227.7103-7(b), through use of the clause at 252.227-7025 as prescribed at 227.7103-6(c) and 227.7203-6(d). Pursuant to that clause, covered Government support contractors may be required to enter into nondisclosure agreements directly with the third party asserting restrictions on limited rights technical data, commercial technical data, or restricted rights computer software. The contracting officer is not required to obtain copies of these agreements or to ensure that they are properly executed.

(ii) For litigation support contractors accessing litigation information, including that originating from third parties, use and nondisclosure requirements are addressed through the use of the clause at 252.204-7014, as prescribed at 204.7403(a). Pursuant to the clause, litigation support contractors are not required to enter into nondisclosure agreements directly with any third party asserting restrictions on any litigation information.

## 209.570 Limitations on contractors acting as lead system integrators.

### 209.570-1 Definitions.

“Lead system integrator,” as used in this section, is defined in the clause at 252.209-7007 ,

Prohibited Financial Interests for Lead System Integrators. See PGI 209.570-1 for additional information.

## 209.570-2 Policy.

(a) Except as provided in paragraph (b) of this subsection, 10 U.S.C. 4292 prohibits any entity performing lead system integrator functions in the acquisition of a major system by DoD from having any direct financial interest in the development or construction of any individual system or element of any system of systems.

(b) The prohibition in paragraph (a) of this subsection does not apply if—

(1) The Secretary of Defense certifies to the Committees on Armed Services of the Senate and the House of Representatives that—

(i) The entity was selected by DoD as a contractor to develop or construct the system or element concerned through the use of competitive procedures; and

(ii) DoD took appropriate steps to prevent any organizational conflict of interest in the selection process; or

(2) The entity was selected by a subcontractor to serve as a lower-tier subcontractor, through a process over which the entity exercised no control.

(c) In accordance with section 802 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110-181; 10 U.S.C. 4292 note), DoD may award a new contract for lead system integrator functions in the acquisition of a major system only if—

(1) The major system has not yet proceeded beyond low-rate initial production; or

(2) The Secretary of Defense determines in writing that it would not be practicable to carry out the acquisition without continuing to use a contractor to perform lead system integrator functions and that doing so is in the best interest of DoD. The authority to make this determination may not be delegated below the level of the Under Secretary of Defense for Acquisition and Sustainment. Also, see 209.570-3 (b).

(d) Effective October 1, 2010, DoD is prohibited from awarding a new contract for lead system integrator functions in the acquisition of a major system to any entity that was not performing lead system integrator functions in the acquisition of the major system prior to January 28, 2008.

## 209.570-3 Procedures.

(a) In making a responsibility determination before awarding a contract for the acquisition of a major system, the contracting officer shall—

(1) Determine whether the prospective contractor meets the definition of “lead system integrator”;

(2) Consider all information regarding the prospective contractor’s direct financial interests in view of the prohibition at 209.570-2 (a); and

(3) Follow the procedures at PGI 209.570-3 .

(b) A determination to use a contractor to perform lead system integrator functions in accordance with 209.570-2 (c)(2)—

(1) Shall specify the reasons why it would not be practicable to carry out the acquisition without continuing to use a contractor to perform lead system integrator functions, including a discussion of alternatives, such as use of the DoD workforce or a system engineering and technical assistance contractor;

(2) Shall include a plan for phasing out the use of contracted lead system integrator functions over the shortest period of time consistent with the interest of the national defense; and

(3) Shall be provided to the Committees on Armed Services of the Senate and the House of Representatives at least 45 days before the award of a contract pursuant to the determination.

### 209.570-4 Solicitation provision and contract clause.

(a) Use the provision at 252.209-7006 , Limitations on Contractors Acting as Lead System Integrators, in solicitations for the acquisition of a major system when the acquisition strategy envisions the use of a lead system integrator.

(b) Use the clause at 252.209-7007 , Prohibited Financial Interests for Lead System Integrators—

(1) In solicitations that include the provision at 252.209-7006 ; and

(2) In contracts when the contractor will fill the role of a lead system integrator for the acquisition of a major system.

## 209.571 Organizational conflicts of interest in major defense acquisition programs.

### 209.571-0 Scope of subpart.

This subpart implements section 207 of the Weapons System Acquisition Reform Act of 2009 (Pub. L. 111-23).

### 209.571-1 Definitions.

As used in this section—

“Lead system integrator” includes “lead system integrator with system responsibility” and “lead system integrator without system responsibility”.

(i) “Lead system integrator with system responsibility” means a prime contractor for the development or production of a major system, if the prime contractor is not expected at the time of award to perform a substantial portion of the work on the system and the major subsystems.

(ii) “Lead system integrator without system responsibility” means a prime contractor under a contract for the procurement of services, the primary purpose of which is to perform acquisition functions closely associated with inherently governmental functions (see section 7.503(d) of the Federal Acquisition Regulation) with respect to the development or production of a major system.

“Major subcontractor” means a subcontractor that is awarded a subcontract that equals or exceeds—

(i) Both the certified cost or pricing data threshold and 10 percent of the value of the contract under which the subcontract is awarded; or

(ii) $55 million.

“Pre-Major Defense Acquisition Program” means a program that is in the Materiel Solution Analysis or Technology Development Phases preceding Milestone B of the Defense Acquisition System and has been identified to have the potential to become a major defense acquisition program.

“Systems engineering and technical assistance.”

(1) “Systems engineering” means an interdisciplinary technical effort to evolve and verify an integrated and total life cycle balanced set of system, people, and process solutions that satisfy customer needs.

(2) “Technical assistance” means the acquisition support, program management support, analyses, and other activities involved in the management and execution of an acquisition program.

(3) “Systems engineering and technical assistance”—

(i) Means a combination of activities related to the development of technical information to support various acquisition processes. Examples of systems engineering and technical assistance activities include, but are not limited to, supporting acquisition efforts such as—

(A) Deriving requirements;

**(B) Performing technology assessments**;

(C) Developing acquisition strategies;

(D) Conducting risk assessments;

(E) Developing cost estimates;

(F) Determining specifications;

(G) Evaluating contractor performance and conducting independent verification and validation;

(H) Directing other contractors’ (other than subcontractors) operations;

(I) Developing test requirements and evaluating test data;

(J) Developing work statements (but see paragraph (ii)(B) of this definition).

(ii) Does not include—

(A) Design and development work of design and development contractors, in accordance with FAR 9.505-2(a)(3) or FAR 9.505-2(b)(3), and the guidance at PGI 209.571-7 ; or

(B) Preparation of work statements by contractors, acting as industry representatives, under the supervision and control of Government representatives, in accordance with FAR 9.505-2(b)(1)(ii).

## 209.571-2 Applicability.

(a) This subsection applies to major defense acquisition programs.

(b) To the extent that this section is inconsistent with FAR subpart 9.5, this section takes precedence.

## 209.571-3 Policy.

It is DoD policy that—

(a) Agencies shall obtain advice on major defense acquisition programs and pre-major defense acquisition programs from sources that are objective and unbiased; and

(b) Contracting officers generally should seek to resolve organizational conflicts of interest in a manner that will promote competition and preserve DoD access to the expertise and experience of qualified contractors. Accordingly, contracting officers should, to the extent feasible, employ organizational conflict of interest resolution strategies that do not unnecessarily restrict the pool of potential offerors in current or future acquisitions. Further, contracting activities shall not impose per se restrictions or limitations on the use of particular resolution methods, except as may be required under 209.571-7 or as may be appropriate in particular acquisitions.

## 209.571-4 Mitigation

(a) Mitigation is any action taken to minimize an organizational conflict of interest. Mitigation may require Government action, contractor action, or a combination of both.

(b) If the contracting officer and the contractor have agreed to mitigation of an organizational conflict of interest, a Government-approved Organizational Conflict of Interest Mitigation Plan, reflecting the actions a contractor has agreed to take to mitigate a conflict, shall be incorporated into the contract.

(c) If the contracting officer determines, after consultation with agency legal counsel, that the otherwise successful offeror is unable to effectively mitigate an organizational conflict of interest, then the contracting officer, taking into account both the instant contract and longer term Government needs, shall use another approach to resolve the organizational conflict of interest, select another offeror, or request a waiver in accordance with FAR 9.503 (but see statutory prohibition in 209.571-7 , which cannot be waived).

(d) For any acquisition that exceeds $1 billion, the contracting officer shall brief the senior procurement executive before determining that an offeror’s mitigation plan is unacceptable.

## 209.571-5 Lead system integrators.

For limitations on contractors acting as lead systems integrators, see 209.570 .

## 209.571-6 Identification of organizational conflicts of interest.

When evaluating organizational conflicts of interest for major defense acquisition programs or pre-major defense acquisition programs, contracting officers shall consider—

(a) The ownership of business units performing systems engineering and technical assistance, professional services, or management support services to a major defense acquisition program or a pre-major defense acquisition program by a contractor who simultaneously owns a business unit competing (or potentially competing) to perform as—

(1) The prime contractor for the same major defense acquisition program; or

(2) The supplier of a major subsystem or component for the same major defense acquisition program.

(b) The proposed award of a major subsystem by a prime contractor to business units or other affiliates of the same parent corporate entity, particularly the award of a subcontract for software integration or the development of a proprietary software system architecture; and

(c) The performance by, or assistance of, contractors in technical evaluation.

## 209.571-7 Systems engineering and technical assistance contracts.

(a) Agencies shall obtain advice on systems architecture and systems engineering matters with respect to major defense acquisition programs or pre-major defense acquisition programs from Federally Funded Research and Development Centers or other sources independent of the major defense acquisition program contractor.

(b) *Limitation on Future Contracting.*

(1) Except as provided in paragraph (c) of this subsection, a contract for the performance of systems engineering and technical assistance for a major defense acquisition program or a pre-major defense acquisition program shall prohibit the contractor or any affiliate of the contractor from participating as a contractor or major subcontractor in the development or production of a weapon system under such program.

(2) The requirement in paragraph (b)(1) of this subsection cannot be waived.

(c) *Exception.*

(1) The requirement in paragraph (b)(1) of this subsection does not apply if the head of the contracting activity determines that—

(i) An exception is necessary because DoD needs the domain experience and expertise of the highly qualified, apparently successful offeror; and

(ii) Based on the agreed-to resolution strategy, the apparently successful offeror will be able to provide objective and unbiased advice, as required by 209.571-3 (a), without a limitation on future participation in development and production.

(2) The authority to make this determination cannot be delegated.

### 209.571-8 Solicitation provision and contract clause.

(a) Use the provision at 252.209-7008 , Notice of Prohibition Relating to Organizational Conflict of Interest—Major Defense Acquisition Program, if the solicitation includes the clause at 252.209-7009 , Organizational Conflict of Interest—Major Defense Acquisition Program; and

(b) Use the clause at 252.209-7009 , Organizational Conflict of Interest—Major Defense Acquisition Program, in solicitations and contracts for systems engineering and technical assistance for major defense acquisition programs or pre-major defense acquisition programs.

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## 209.572 Conflicts of interest in certain consulting services.

(a) *Scope*.

(1) This section implements section 812 of the National Defense Authorization Act for Fiscal Year 2024 (Pub. L. 118-31).

(2) To the extent that this section is inconsistent with FAR subpart 9.5, this section takes precedence.

(b) *Definitions*. As used in this section—

“Consulting services” means advisory and assistance services, except that “consulting services” does not include the provision of products or services related to—

(i) Compliance with legal, audit, accounting, tax, reporting, or other requirements of the laws and standards of countries; or

(ii) Participation in a judicial, legal, or equitable dispute resolution proceeding.

“Contract oversight entity” means any of the following:

(i) The contracting officer.

(ii) The contracting officer’s representative.

(iii) The Defense Contract Management Agency.

(iv) The Defense Contract Audit Agency.

(v) The DoD Office of Inspector General or any subcomponent of that office.

(vi) The Government Accountability Office.

“Covered contract” means a DoD contract involving consulting services.

“Covered foreign entity” means any of the following:

(i) The government of the People’s Republic of China, the Chinese Communist Party, the People’s Liberation Army, the Ministry of State Security, or other security service or intelligence agency of the People’s Republic of China.

(ii) The government of the Russian Federation or any entity sanctioned by the Secretary of the Treasury under Executive Order 13662, Blocking Property of Additional Persons Contributing to the Situation in Ukraine.

(iii) The government of any country if the Secretary of State determines that such government has repeatedly provided support for acts of international terrorism pursuant to any of the following:

(A) Section 1754(c)(1)(A) of the Export Control Reform Act of 2018 (50 U.S.C. 4318(c)(1)(A)).

(B) Section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371).

(C) Section 40 of the Arms Export Control Act (22 U.S.C. 2780).

(D) Any other provision of law.

(iv) Any entity included on any of the following lists maintained by the Department of Commerce (see the Export Administration Regulations at 15 CFR subchapter C):

(A) The Entity List in supplement no. 4 to 15 CFR part 744.

(B) The Denied Persons List as described in 15 CFR 764.3(a)(2).

(C) The Unverified List in supplement no. 6 to 15 CFR part 744.

(D) The Military End User List in supplement no. 7 to 15 CFR part 744.

(v) Any entity identified by the Secretary of Defense pursuant to section 1237(b) of the National Defense Authorization Act for Fiscal Year 1999 (Pub. L. 105-261; 50 U.S.C. 1701 note).

(vi) Any entity on the Non-Specially Designated Nationals Chinese Military-Industrial Complex Companies List maintained by the Office of Foreign Assets Control of the Department of the Treasury under Executive Order 14032, Addressing the Threat From Securities Investments That Finance Certain Companies of the People’s Republic of China.

(c) *Prohibition*. The contracting officer shall not award a contract assigned a North American Industry Classification System (NAICS) code beginning with 5416 that involves consulting services to an offeror that both—

(1) Cannot certify that neither the offeror nor its subsidiaries or affiliates hold a contract or subcontract involving consulting services with one or more covered foreign entities; and

(2) Does not have a conflict-of-interest mitigation plan that is auditable by a contract oversight entity and approved by the contracting officer.

(d) *Waiver*.

(1) If the prospective contractor(s) certified, in response to paragraph (c) of the provision at 252.209-7012, Prohibition Relating to Conflicts of Interest in Consulting Services—Certification, that it or its subsidiaries or affiliates hold a contract or subcontract involving consulting services with one or more covered foreign entities and the offeror has not submitted an acceptable conflict-of-interest mitigation plan, the contracting officer shall—

(i) Notify the offeror of the potential withholding of award due to the unmitigated conflict of interest; and

(ii) Specify that the offeror has 10 days to respond to the notification.

(2) If the contracting officer determines that it is in the best interests of the United States to award the contract, notwithstanding the conflict of interest, the contracting officer shall request a waiver in accordance with 209.503-70.

(3) The prohibition may be waived on a case-by-case basis if an official listed at 209.503-70 determines that a waiver is necessary for national security purposes.

(4) The contracting officer shall include the waiver request and the waiver in the contract file.

(5) Not later than 30 days after approval of the waiver, the agency shall provide written notification to the House and Senate Armed Services Committees of the use of such waiver authority. The notification shall include—

(i) The specific justification for providing the waiver;

(ii) The number of offerors that did not require a waiver;

(iii) The number of offerors that were granted a waiver;

(iv) Identification of the covered foreign entity that is the subject of the waiver; and

(v) The total dollar value of the covered contract.

(e) *Solicitation provision*. Use the provision at 252.209-7012, Prohibition Relating to Conflicts of Interest in Consulting Services—Certification, in solicitations, including solicitations using FAR part 12 procedures for the acquisition of commercial services, assigned a NAICS code beginning with 5416. Do not include the provision in solicitations for the acquisition of commercial products.