

U.S. GENERAL SERVICES ADMINISTRATION
Federal Supply Service

February 26, 1999

FSS ACQUISITION LETTER FC-99-3

MEMORANDUM FOR FSS CONTRACTING ACTIVITIES
(FC DISTRIBUTION LIST)

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SUBJECT: Need for Requirements Documents in Commercial Item
Acquisitions

1. Purpose. The purpose of this acquisition letter is to provide guidance and procedures for determining if requirements documents are needed for the acquisition of commercial items and, if so, which type of document is appropriate.
2. Background.

a. The National Partnership for Reinventing Government (formerly the National Performance Review (NPR)) emphasized the need for the Federal Government to conduct business more like private businesses. It stressed the need to streamline or eliminate outdated or unnecessary policies and procedures. NPR listed Government-unique "how to" specifications and standards as impediments to increased Government-commercial integration and as barriers to change. As a result of NPR, FSS initiated a "Federal Specification Conversion Project" to provide our customers with more commercial items and fewer Government-unique items. Through the NPR reinvention process, generally, and the "Federal Specification Conversion Project" specifically, the Federal Government is better able to serve its customers more quickly and at a reduced cost to taxpayers.

b. The Federal Acquisition Streamlining Act (FASA) built upon the NPR premise by enacting major procurement reform. As a result of FASA, the Federal Acquisition Regulation (FAR) provides contracting activities with more authority to make sound business decisions for its customers. Further, FASA broadened the definition of a commercial item and enacted a Federal Government preference for the acquisition of commercial items in a manner consistent with standard commercial practices. The FAR implemented this preference by establishing acquisition policies more closely resembling those of the commercial marketplace and encouraging the acquisition of

commercial items. With few exceptions, FSS acquisitions are for items that fall within the definition of commercial items.

c. Acquiring Government-unique items often engenders higher costs, increased Government design risk, and greater potential for obsolescence. When buying other than commercial items, the Government often pays for all production costs including added set up charges, special tooling and any research and development costs. Products take a much longer time to acquire than those commercial items that are readily available "off-the-shelf". Special maintenance and support must be designed for Government-unique items.

d. Both civilian and defense activities have been under tremendous pressure to accomplish three key business goals: (1) buy commercial; (2) reduce inventory and inventory costs; and (3) reduce procurement lead times. Testimonials have been received by the Federal Supply Service from these activities indicating that costs have been reduced significantly with significant reductions in lead times when acquiring commercial items. These agencies, for the most part, have used the Federal Supply Schedules Program, which solely relies on commercial items, to meet their critical business goals during the past several years. During this same period, sales under the schedules program have seen a tremendous growth.

e. The Department of Defense has an ongoing MilSpec Reform initiative. To date, focus has been on replacing detailed military specifications. However, by policy memo issued in August 1998, the reform initiative was broadened to include DOD-prepared Federal specifications. The DOD goal is to cancel, inactivate, or replace detailed Government specifications with non-Government standards (NGS), commercial item descriptions (CID), or other appropriate document.

f. The Supply and Procurement Business Plan and goals are based on our vision to be our customers preferred global provider of best value commercial products and services. We must continue to expand the breadth and depth of commercial products and services available through the Multiple Award Schedule (MAS) program in keeping with our vision and commitment to our customers. While we have made significant progress in reviewing, converting or canceling Federal specifications to other types of requirements documents, we must increase our momentum and broaden our review to include these other types of requirements documents as well.

3. Applicability. This acquisition letter is applicable to all FSS contracting activities involved in the development of requirements documents.

4. Effective Date. This acquisition letter is effective 30 days after its signature date but may be observed earlier.

5. Expiration Date. This acquisition letter expires 1 year from the effective date unless extended or cancelled.

6. Reference to Regulations.

a. FAR 2.101 contains the definition of a commercial item. Generally, a commercial item is any item that is of a type customarily used for nongovernmental purposes and that has been sold, leased, or licensed or offered for same to the general public. It is also any item that evolved from the type described above through advances in technology or performance but is not yet available in the commercial marketplace but will be in time to meet the Government's requirements. Further, items are considered to be commercial even if they have minor modifications made to meet Federal Government requirements.

b. FAR, Part 11, Describing Agency Needs, and Part 12, Acquisition of Commercial Items, contain policy guidance on requirements documents and establish a preference for the acquisition of commercial items, respectively.

c. Supply Operations Handbook, Volume 2, Procurement, Chapter 38, contains policies and procedures for establishing an MAS and a Special Item Number within an existing MAS.

7. Procedures.

a. Each contracting activity is responsible for reviewing the requirements documents maintained for procurements to support the Stock and Special Order Programs and to support customer agencies. The purpose of the review is to determine if the documents are the most appropriate vehicles for procuring commercial products to meet our customers requirements in light of the evolutionary changes taking place in Federal Government procurement.

b. The review is to include market research for all items procured using specifications and CIDs to determine if the items are equal or similar to commercial off-the-shelf items or commercial items that would be available off -the-shelf if not for minor modifications to meet the Government's requirements.

c. Consider the following in the review and market research process:

(1) Is a suitable commercial item available?

(2) Would the item be available commercially off -the-shelf if not for a minor modification? Are contractors modifying their commercial products to meet the Government's requirements? Will the manufacturer offer the option commercially (such as a special paint color)?

(3) Is there a Multiple Award Schedule covering the Federal Supply Class for the item?

(4) Are services related to the item available allowing us to provide a total solution to our customers?

(5) Is there a suitable NGS?

(6) Do we need flexibility to take advantage of technological advances?

(7) Are we satisfying our customers? Are customers turning to other sources or brand names when we are not meeting their specific preferences? Can we support a larger customer base by buying brand name items?

(8) Is a requirements document necessary for health or safety? If so, can a document other than a specification or a CID protect the Government's interests?

(9) Are the Government's minimum needs as stated in the specification or CID still valid? Can the minimum needs be met with another type of requirements document?

(10) Is a Qualified Products List or testing necessary for the item or could the quality be determined by the subjective judgment of a knowledgeable customer? Can the requirement be met by using a NGS?

(11) Specifications/CIDs are usually not necessary for mandatory source items.

(12) Is it a good business decision to change the requirements document for the above reasons as well as for reduced acquisition time and/or product delivery time, or reduced administrative costs?

d. If market research reveals there are similar commercial items, and taking into consideration the above questions, determine if the specification or CID should be cancelled and the item procured with another appropriate method and document such as a SIN description or NGS. If so, convert the specification, CID, NGS to an MAS SIN when there is an existing MAS. For a class of products with multiple specifications and CIDs create an MAS. When no MAS exists or a product cannot be procured to meet the customer's requirements using a SIN description, determine if we should continue to support the customer. If so, convert the specification to a NGS (voluntary consensus standard or industry standard) or CID in that order.

e. Each contracting activity is to establish timeframes for review and conversion of the specifications and CIDs to ensure that the conversion is complete in time for the next contract period. An option should not be exercised when conversion criteria indicate a new requirements document is appropriate. All specifications and CIDs prepared by FSS should be reviewed and cancelled or justified no later than January 31, 2000.

8. Coordination. As appropriate, coordinate each conversion with representatives of the DOD and civilian customer agencies, and the FSS Acquisition Management Center's Environmental and Engineering Policy Division (FCOE). Coordination is to follow the procedures in the Federal Standardization Manual.

9. Justification. If, after market research and coordination with the customer agency or agencies, it is determined that a specification or CID must be retained, the contracting activity will prepare a justification fully supporting the decision to retain the specification or CID. The justification is to be reviewed and approved at the center director or program office head level and a copy forwarded to FCOE.

10. Reporting. Each contracting activity will report the status of the conversion project quarterly beginning March 31, 1999, to FCOE, and the changes will be reflected on the Stock/SOP Snapshot.