



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

31 Jan 2011

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Rescission of Award Fee Contracts Memoranda

The attached Director, Defense Procurement and Acquisition Policy (DPAP) memorandum dated January 26, 2011 rescinds three policy memoranda DPAP issued during March 2006 and April 2007 on award fee contracts, because some of the policy contained in these memoranda is obsolete due to changes made to Federal Acquisition Regulations (FAR) Subpart 16.4. Accordingly, this action requires that we rescind the following policy memoranda from this office:

- Subject: Award Fee Contracts (FAR 16, DFARS 215, DFARS 216), April 6, 2006
- Subject: Award and Incentive Fees – Data Collection, May 8, 2007
- Subject: Proper Use of Award Fee Contracts and Award Fee Provisions, January 22, 2008

Additionally, some of the guidance in the Navy-Marine Corps Award Fee Contracting Guide of July 19, 2004 conflicts with current policy and must be ignored. For example, the guide addresses the use of rollover fees which are prohibited by FAR 16.4. We are initiating action to update this guide to reflect current policy and best practices within the Department of the Navy.

Please ensure that all personnel involved in award fee contracts are aware of the policies and procedures set forth in FAR 16.4, Defense Federal Acquisition Regulation Supplement 216.4, DFARS Procedures, Guidance and Information 216.4, Navy-Marine Corps Acquisition Regulation Supplement 5216.4 and Assistant Secretary of the Navy for Research Development and Acquisition policy memorandum of March 1, 2010. My point of contact for this memorandum is Evelyn Ortiz at (703)614-9640 or evelyn.ortiz@navy.mil.

A handwritten signature in cursive script, reading "Elliott B. Branch".

ELLIOTT B. BRANCH
Executive Director
DASN(A&LM)

Attachment:
As stated

Distribution:
See page 2

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JAN 26 2011

ACQUISITION,
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AND LOGISTICS

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND LOGISTICS MANAGEMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Rescission of Award Fee Contracts Memoranda

With the publication of a final Federal Acquisition Regulation (FAR) case, which updated FAR 16.4, some of the policy contained in the memoranda below on incentive contracting became obsolete. Accordingly, I am rescinding the following memoranda:

- **Subject: Award Fee Contracts, March 29, 2006:** The use of rollover was addressed in this memorandum. Subsequently FAR 16.4 was updated, which prohibits the use of rollover.
- **Subject: Proper Use of Award Fee Contracts and Award Fee Provisions, April 24, 2007:** This memorandum established rating criteria applicable to all award fee provisions and established the percentages of the award fee pool that could be earned for each rating. A similar rating scheme was subsequently published in FAR 16.4, making the award fee ratings set forth in this memorandum unnecessary.
- **Subject: Award and Incentive Fees – Data Collection, April 24, 2007:** Since we began compiling award fee reports in CY 2007, our data collection requirements have evolved in response to Congressional inquiries and statutory requirements. Current information pertaining to the Department's incentive fee data collection requirements is now located in Procedures, Guidance, and Information (PGI) 216.401-70, the companion resource to the Defense Federal Acquisition Regulation Supplement (DFARS).

For current guidance on award fee contracts, see FAR 16.4, DFARS 216.4 and its companion resource, PGI 216.4. My point of contact for this matter is Mr. Dave Mabee, 703-602-0288 or Dave.Mabee@osd.mil.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy