



DoD's Cadre of Experts **The Commercial Item Group** 2021

YEAR IN REVIEW



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From the Director



The Commercial Item Group (CIG) is a group within the Cost and Pricing Regional Command within the Defense Contract Management Agency (DCMA). The team is celebrating its fifth year since it was established in 2016. The CIG's authority comes from 10 U.S. Code § 2380 which states that "The Secretary of Defense shall establish and maintain a centralized capability with necessary expertise and resources to provide assistance to the military departments and Defense Agencies in making commercial item determinations, conducting market research and performing analysis of price reasonableness for the purposes of procurements by the DoD...."

For the CIG, that translates into a mission to provide acquisition insight for the integration of commercial products and services within DoD to streamline procurements and ensure warfighters receive cutting-edge technology at fair and reasonable prices.

The CIG, at the request of a Defense buying activity, will evaluate, perform market research, and write a Commercial Item Determination (CID) for products or services. Additionally, our pricing capability offers a unique skill-set to the Department by emphasizing market research as a fundamental piece in the price reasonableness analysis. The team also provides strategic market intelligence, training, and negotiation support efforts on behalf of our customers.

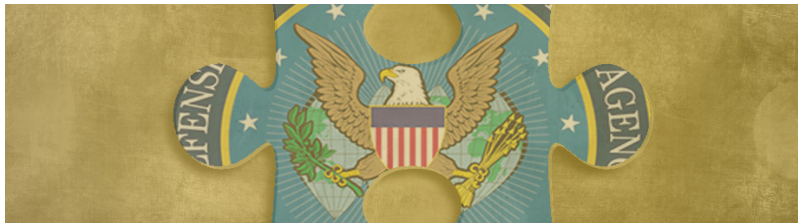
In response to the COVID-19 disruption in Fiscal Year 2021 (FY21), the 63-person team transitioned to a virtual work environment while maintaining uninterrupted support to our core mission. Similar to prior years, this mission included support of the 2018 National Defense Strategy (NDS) by developing commercial acquisition tools and resources, identifying ways to increase the industrial supply base, collaborating with Industry, identifying challenges and solutions to complex commercial acquisition problems, and delivering subject matter expertise to our DoD customers at the speed of relevance. The CIG assisted with 340 acquisitions this year and launched several efforts focused on transparency and collaboration with industry, as well as adapting our pricing talent to support the digital future.

Our team is excited to publish the results of our FY21 focuses, successes, and initiatives in executing the NDS.

Dan Hawley
Director, Commercial Item Group
Defense Contract Management Agency



Rapid Acquisition Support



The CIG assisted the Department's strategic initiative to reduce the timelines associated with supporting buying commands' Procurement Administrative Lead Time (PALT).

The Speed of Commercial Contracting: 87% of the products the CIG reviewed were determined commercial. This encompassed over

2,000 unique product reviews requested by buying commands on active procurements in 2021. These CIDs provided contracting officers the documentation required to proceed using commercial contracting procedures, which sam.gov data indicates results in 53% faster PALT than noncommercial FAR Part 15 procedures (based on average PALT 2018-2020).

COVID-19 Response - Previously known as Operation Warp Speed (OWS): The CIG supported the Army Contracting Command (ACC) and the Biomedical Advanced Research & Development Authority (BARDA) with seven different OWS contracts in support of research for COVID-19 vaccines and therapeutics. The CIG's analysis resulted in sustained savings during negotiations of \$93M. In several instances, in as little as three days, DCMA's subject matter experts provided critical pricing data points and rapid market research to facilitate ACC's initiative to quickly issue contract awards.

Partnering with Army Applications Lab (AAL): The CIG engaged in a series of conversations with AAL in pursuit of opportunities to partner with the Army, with the intent of bridging the "valley of death" for technology adoption. The "valley" results when new commercial technology is funded and prototyped in a program such as Small Business Innovative Research (SBIR), but after development is not subsequently integrated into a DoD program or platform for a follow-on procurement. The CIG is working with AAL on potential approaches to using FAR Part 12 and 13 streamlined procedures for future procurements of that technology. The vision is to proactively identify dual-use technology that meets the definition of a commercial item in FAR 2.101 through the AAL SBIR program procurement process. The use of FAR Part 12 or FAR Part 13 procedures could significantly reduce the Army's PALT timelines for these requirements.



Pushing Price Analysis into the Future



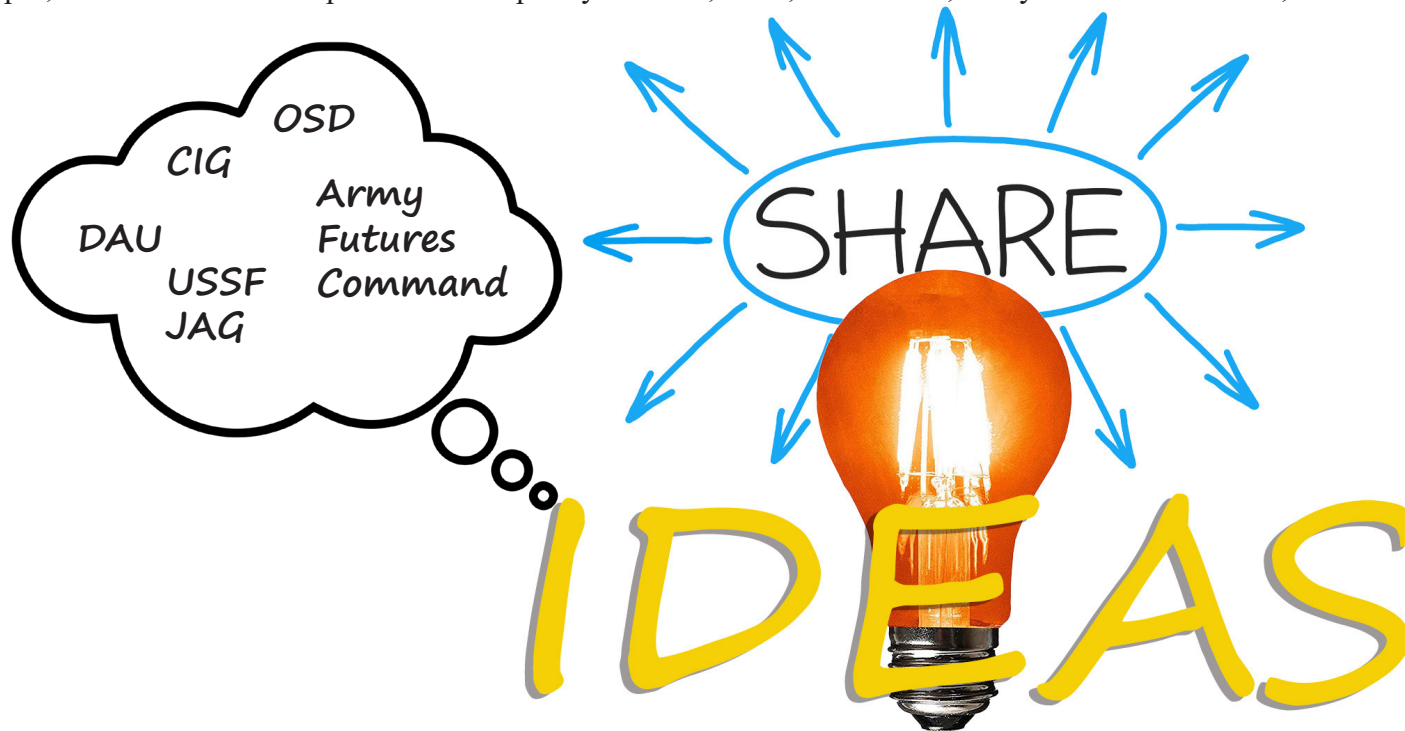
The CIG proactively identified opportunities to collaborate with the acquisition community to document and outline best practices, and pricing techniques in areas which can be challenging to determine a fair and reasonable price. Specifically, the CIG proposed pricing concepts specific to Other Transactions, Software procurements, and Intellectual Property valuation.

Other Transaction (OT) Pricing: The CIG issued a paper promoting novel approaches to determining fair pricing without Cost Data for OT efforts (link below). This initiative supports streamlining acquisitions and increases affordability/lethality for the Department. The CIG partnered with DAU, the Air Force, and the Army to curate a two hour webcast on pricing Other Transactions. With 45 active duty military members, 43 contractors, and over 1,100 government civilians in attendance, this event showcased non-cost-based approaches to determining fair and reasonable pricing of OTs. The related DAU webcast, paper, and additional information is accessible [here](#).



Software Pricing: With the release of the Adaptive Acquisition Framework (AAF) software path, we expect that technology procured by the DoD will rely on advancing software and technology. Consequently, the ability to understand the value and price of software will be crucial. Bearing in mind this demand signal on the horizon, the CIG issued a proactive white paper that provides an informational list of elements, creative approaches, and considerations to include when evaluating the price in software procurements. The CIG collaborated with the USAF's Kessel Run to produce a pricing paper, and subsequently partnered with DAU to create a webcast, which included the CIG, Joint Artificial Intelligent Center (JAIC), USAF, US Digital Service, and industry representatives. The DAU webcast on this topic included speakers from the CIG, Air Force, JAIC, and US Digital Service ([information here](#)).

Intellectual Property Pricing Paper: Section 801 of the FY20 National Defense Authorization Act (NDAA) establishes the requirements for a pilot program on the subject of intellectual property (IP) to "assess mechanisms to evaluate intellectual property (such as technical data deliverables and associated license rights), including commercially available intellectual property valuation analysis and techniques." The CIG proactively researched methods to value IP. During the research phase, the team collaborated with the Section 801 team at OSD. There was no final deliverable from the CIG as this is the 801 charter; however, the CIG partnered with DAU and hosted a brainstorming session, requiring attendees to provide feedback on how IP should be valued. This was a great jumpstart to the 801 charter, and allowed practitioners to provide input for the panel. The DAU webcast, CIG draft paper, and details on this topic included input by the CIG, OSD, USSF JAG, Army Futures Command, and DAU ([information here](#)).



Impact on Lethality

The framework of lethality is readiness and modernization. The affordability of a lethal force is dependent on the Department's ability to negotiate fair and reasonable contract prices. Using the commercial marketplace as a resource to help find alternative suppliers and exploit commercial marketplace pricing is critical in promoting the Department's readiness and modernization. A few recent CIG efforts highlighting support of the Department's lethality are detailed below:

Army Unmanned Aircraft Systems: The CIG partnered with the Army to support the first production OT of the unit level Soldier Unmanned Aircraft Systems (UAS) and its components to support the U.S. Army Soldier Unmanned Aircraft Systems program. The Army has the requirement to procure unmanned aircraft systems and the associated equipment for the Short Range Reconnaissance (SRR) program. The system includes: two SRR aircraft, four air vehicle batteries, one aircraft battery charger, and other miscellaneous items. The U.S. Army's SRR system is intended to be an inexpensive, rucksack portable, vertical take-off and landing (VTOL) small-unmanned aircraft that provides the platoon with a rapidly deployed Reconnaissance and Surveillance capability to provide situational awareness beyond the next terrain feature. The CIG utilized market intelligence for commercialized drones and UAS to provide price-related information to the Army. The Army integrated the CIG's market intelligence information into its negotiation strategy to meet their initial objectives and to successfully complete negotiations. The end result is an Army agreement with the contractor in which the Army (and all other DoD services) can use as vehicle to procure SRR technology.

The F-35: In FY21, the F-35 Joint Program Office (JPO) requested CIG support with two critical procurement actions for the Joint Strike Fighter (JSF): the Air Vehicle and Propulsion Systems. The CIG engineers and analysts provided the JPO with a total of 67 commerciality and pricing reports containing strategic market research and technical analysis to support one of the Government's largest acquisitions. The team reviewed over 750 subcontract products and services, all integrated into the JSF platform. The F-35 team stated that CIG's efforts enabled them "to more efficiently perform reviews" which can lead to faster contract awards and faster delivery of capability to the warfighter. The CIG's support for this effort displays the team's continuous focus on maximizing taxpayer funding to support the DoD's mission.

"We were able to negotiate with the contractor and meet our pricing objectives ... Information was provided in a timely manner thus resulting in us meeting our timelines ... (and) the service provided exceeded all expectations."

- Army Agreements Officer.



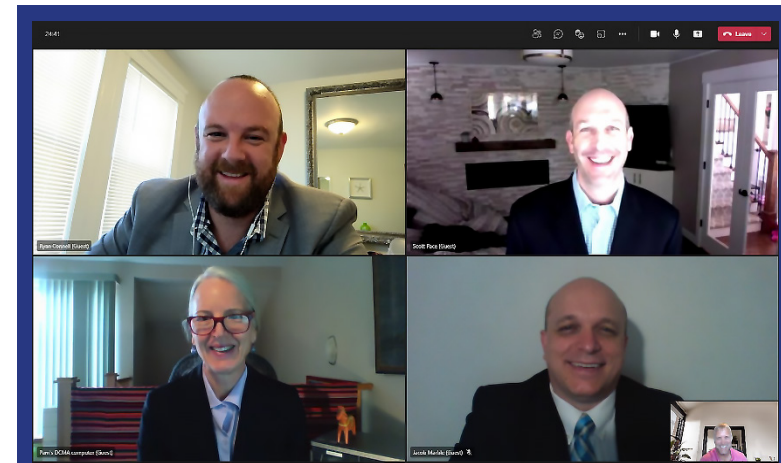


Transparency with Industry

Commercial Item Determination Database – The 2016/2017 National Defense Authorization Act (NDAA) mandated that the DoD establish and maintain a centralized database for storing all DoD Contracting Officer CIDs under 10 U.S. Code § 2380 (a)(2). The CIG supported Defense Pricing and Contracting (DPC) in the successful creation and launch of this tool, which is now operational and resides in the Procurement Integrated Enterprise Environment (PIEE). This centralized database provides DoD contracting officials instant access to prior CIDs made by Government Officers (including CIG Contracting Officers), resulting in faster, and more informed data-driven decisions. The PIEE Database, in accordance with 10 U.S. Code § 2380, is only available to DoD officials. In an effort to provide transparency with industry, in FY21, the CIG launched a public version of this repository. While the CIG's public repository is limited to the CIDs which are performed by the CIG, this excel file provides industry an opportunity to see the results of the CIG CIDs that have been issued. For example, if a prime contractor is buying a product from a subcontractor, this resource can be used to see if the CIG has issued a determination on this product. This file is located on the CIG homepage. CIG public facing website.



Office Hours – In an ongoing effort to streamline the acquisition lifecycle, the CIG has partnered with the DAU to host a series of virtual Office Hours intended to continue the open dialogue and information exchange between the DoD and Industry. Through these forums, DCMA and DAU's goals to promote transparency, encourage open dialogue, highlight the benefits and discuss potential solutions to overcome the associated challenges regarding commercial acquisitions. These events are held on the first Thursday of every month; information is located here.



Customer Focus

In FY21, the CIG prioritized DoD buying command requests for proposal reviews supporting active acquisitions with an impending contract award. The CIG averaged just under forty days (39) total for all customer support requests (price analysis, CIDs or both), a slight reduction to complete these actions over the prior year.

Acquisition Community Collaboration Initiative (ACCI): The purpose of the DCMA CIG ACCI is for the DoD acquisition community to improve collaboration and streamline acquisition by sharing information and available resources early in the process. In FY21, the Team met with over 290 DoD officials from 12 major DoD Program Offices & Buying Commands (USAF, Air Force Life Cycle Management Center (AFLCMC), Defense Logistics Agency (DLA)/Aviation Philadelphia, DLA SAR/ESA Team, HQ United States Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA ALT), VC25-B Program Office, AtlasX, FASTeR II PCO, Army Contracting Command (ACC) Redstone). These teams conducted comprehensive training on the commerciality review and price analysis processes, as well as how to access and use the CID database and CIG excel repository. The team remains focused on DoD wide collaboration and training efforts in FY22.

Potential Dollars Saved: The CIG's differentiating factor with respect to its pricing capability is the unique emphasis placed on market research and price-comparison to comparable solutions. Due to commercial acquisition regulations, the CIG seldom reviews or receives cost data as part of proposal analysis. Instead, the group relies on comparing similar non-Governmental products and services, creating parametric relationships, and even same/similar Government procurements to determining the price recommendation that should be negotiated for the contract. The CIG supported almost \$4B in commercial acquisition proposal reviews during FY21, recommending savings to the Services of more than \$1B in support of hundreds of unique acquisitions. Of that \$1B, we were able to continue dialogue with the contracting officers and find specific contracts where CIG recommendations were able to be sustained through negotiations saving the DoD \$93M.



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What's Next?

The DCMA CIG will continue to hone its mission to the pillars of USC 2380; making commercial item determinations (CIDs), providing price analysis and market research for the purpose of DOD procurements. This includes identifying alternative commercial technology available in the marketplace, identifying alternate sources of supply, and encouraging buying commands/program offices to embrace competition where possible. The CIG will continue to provide creative acquisition solutions, work toward increasing the Defense Industrial Base (DIB), and assist the Department with influencing acquisition policy, all in an effort to promote the success of the National Defense Strategy.

As we work towards these goals, we offer our support to those Buying Commands and Program Offices reading this. Working together, we can help Program Managers identify solutions to requirements, establish acquisition strategies, and help Contracting Officers with market research, pricing, issuing commercial item determinations, and providing negotiation support.

If printed, all URLs hyperlinked in the document can be found at the CIG webpage: <https://www.dcmamilitary.com/Commercial-Item-Group/>



“New commercial technology will change society and, ultimately, the character of war. The fact that many technological developments will come from the commercial sector means that state competitors and non-state actors will also have access to them, a fact that risks eroding the conventional overmatch to which our Nation has grown accustomed. Maintaining the Department’s technological advantage will require changes to industry culture, investment sources, and protection across the National Security Innovation Base.” – 2018 NDS.





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