



**DEPARTMENT OF VETERANS AFFAIRS**  
**Deputy Assistant Secretary for Acquisition and Materiel Management**  
**Washington, DC 20420**

**IL 049-04-3**  
**January 7, 2004**

**OFFICE OF ACQUISITION AND MATERIEL MANAGEMENT INFORMATION LETTER**

**TO:** Under Secretaries for Health, Benefits, and Memorial Affairs; Assistant Secretary for Management; Chief Facilities Management Officer, Office of Facilities Management; Veterans Integrated Service Network Directors; Directors, VA Medical Center Activities, Domiciliary, Outpatient Clinics, Medical and Regional Office Centers, and Regional Offices; Directors, Denver Distribution Center, Austin Automation Center, Records Management Center, VBA Benefits Delivery Centers, and the VA Health Administration Center; and the Executive Director and Chief Operating Officer, VA National Acquisition Center

**ATTN:** Head of the Contracting Activity  
All VA Contracting Officers

**SUBJ:** Indefinite-Delivery Indefinite Quantity (IDIQ) Contract for Construction

1. The purpose of this Information Letter is to provide guidance for the use of an IDIQ Contract for construction. This supersedes the Contract Service Center, Job Order Contracting (JOC) Guide.
  
2. The purpose of the contract is to expedite contract award of construction requirements by reducing engineer design work and acquisition lead-time. The task order contract is a fixed-price indefinite-delivery/indefinite-quantity (IDIQ) contract appropriate for low dollar value construction projects, maintenance, alterations, and repair of buildings, structures, or other real property. The contract is not appropriate for large, complex construction projects that require extensive design effort or for predominately single skill/material projects. The IDIQ construction contract cannot be used to purchase supplies or services. The IDIQ construction contract is not to include design work. Architect-Engineer (A/E) services are also not appropriate for an IDIQ construction contract. However, an A/E open-ended IDIQ contract utilizing the procedures established at FAR 36.6, and in accordance with the Brooks Architect-Engineers Act (40 U.S.C. 541, et seq.), is appropriate. Under FAR 16.504 (a)(1), an IDIQ contract is a contract that provides for an indefinite quantity, within stated maximum or minimum limits of the construction work to be furnished during the contract period, with deliveries or performance to be scheduled by placing orders with the contractor. The solicitation should be clear that this type of construction contract is only for specific construction projects (FAR 16.504 (a)(4)(iii)). The solicitation does not

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necessarily have to identify all the anticipated projects, but it is not sufficient to merely provide in the Statement of Work of the solicitation that the contract is for "all construction services." A construction IDIQ contract is an indefinite quantity contract for the construction of the projects, as specified in the contract, for a fixed period of time. The contract may provide for additional option periods, in which the Government may elect to extend the term of the contract.

3. The traditional method used to procure construction can be a costly and time-consuming process. The IDIQ construction contract for minor construction projects utilizes pre-priced units of work, which helps streamline the contracting process within the overall framework of a fixed-priced construction contract.

4. Small Business Program Considerations: The contracting officer should consider the procedures in FAR 19.1007 and local Small Business Set Aside requirements in determining the selection of a small business program for award. A task order contract is not appropriate for construction projects which are equal to or less than the emerging small business (ESB) reserve threshold amount (\$25,000 for construction), as FAR 19.1007(c) requires that these projects be set aside for Emerging Small Businesses. Accordingly, unless the contract is awarded to an 8(a) firm that also qualifies as an emerging small business, the minimum task order amount and the guaranteed minimum contract amount stated in the contract may not be less than \$25,000. The contracting officer must also take into consideration the requirement to provide competition for construction acquisitions exceeding \$3,000,000 which are offered to the SBA under the 8(a) Program.

5. The contracting officer should keep in mind that coordination and cooperation between the contracting officer and the Chief of Engineering is essential to successful implementation of the IDIQ. Engineering personnel have significant responsibilities for planning work and budget projections identification/prioritization of individual task order requirements, task order proposal evaluation, contract administration, and monitoring contractor performance. The only contract administration responsibilities of engineering personnel are the ones delegated by the Contracting Officer in the Contracting Officer's delegation of authority letter that appoints the Contracting Officer's Technical Representative (COTR) for the project.

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6. There are several terms and conditions in a task order contract that differ from the customary construction contract:

a. Unit Price Book: The contract contains a unit price book which is made up of detailed task specifications, along with a standard unit of measure and a unit price for each task. For example, the unit price for painting one square foot of sheetrock is \$5.00. Due to the fact that there are numerous tasks involved in a typical construction project, the unit price book may contain thousands of separate tasks. Unit prices include the cost for labor and materials. The cost and time required to develop a unit price book may be extraordinary. For this reason, the Government frequently utilizes a unit price book based on commercially available software, the R.S. Means Cost Estimating System. The database contains 21,000 unit price line items. The unit price book provides a firm fixed price, as required by FAR 16.501-2, for the indefinite delivery/indefinite quantity contract. The unit price book must be kept current during the entire pre-award phase.

b. Pricing Methods: Each time the contracting officer exercises an option to extend the term of a contract for construction, the contracting officer must modify the contract to incorporate the most current wage determination. FAR 22.404 describes three pricing methodologies which may be used for IDIQ construction contracts.

(1) Offerors are provided the opportunity to propose separate prices (coefficients) for each option period. After the contract is awarded, the edition/year of the unit price book identified in the contract remains constant for the life of the contract and is not updated when new versions are issued. The contracting officer must not further adjust the contract price as a result of the incorporation of a new or revised wage determination at the exercise of each option. Generally, this method is used when option periods do not exceed 3 years.

(2) The contracting officer may include in the contract a separately specified pricing method that permits an adjustment to the contract price at the exercise of each option. At the time of option exercise, the contracting officer must incorporate a new wage determination into the contract and must apply the specific pricing method to calculate the contract price adjustment. An example of a contract pricing method that the contracting officer might separately specify is the incorporation in the solicitation and resulting contract of the pricing data from

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the annually published unit pricing book (e.g., the R.S. Means Cost Estimating System), which is multiplied in the contract by a factor proposed by the contractor (e.g., .95 or 1.1). At option exercise, the contracting officer incorporates the pricing data from the latest annual edition of the R.S. Means Cost Estimating System (unit price book) multiplied by the factor agreed to in the basic contract. The contracting officer must not further adjust the contract price as a result of the incorporation of the new or revised wage determination. The attached, "Construction Data Price Adjustments" is an economic provision that applies to this type of pricing method. Contracts which include an economic price adjustment provision require prior approval of the Deputy Assistant Secretary for Acquisition and Materiel Management (049); however, if the attached provision is used, prior approval is not required.

(3) The contracting officer may provide for a contract price adjustment based solely on a percentage rate determined by the contracting officer using a published economic indicator incorporated into the solicitation and resulting contract. At the exercise of each option to extend the term of the contract, the contracting officer will apply the percentage rate, based on the economic indicator, to the portion of the contract price or contract unit price designated in the contract clause as labor costs subject to the provision of the Davis-Bacon Act. This percentage adjustment to the designated labor costs must be the only adjustment made to cover increases in wages and/or benefits resulting from the incorporation of a new or revised wage determination at the exercise of the option. The economic price adjustment provision used for this type of pricing method requires the prior approval of the Deputy Assistant Secretary for Acquisition and Materiel Management (049).

c. Coefficient: The contract contains a coefficient which provides for the contractor's costs for overhead, profit, contingencies, insurance, protective clothing, etc. It is the firm-fixed price multiplier that the contractor proposes. If the contract includes additional option periods, a firm-fixed price coefficient may be obtained for each option period. After award, the applicable unit prices listed in the unit price book are multiplied by the coefficient to arrive at the actual price for the project. If the contracting officer anticipates that work may be required by the contractor at other than normal duty hours, the solicitation may request that the contractor provide a proposal for two coefficients, one for normal duty hours and one for work performed during other than normal duty hours.

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d. **Guaranteed Minimum and Maximum Contract Amount:** To ensure that the contract is binding, the guaranteed minimum contract amount must be more than a nominal amount, but it should not exceed the amount that the Government is fairly certain to spend during the life of the contract. The solicitation must clearly state whether the guaranteed minimum contract amount is considered to be the amount guaranteed for the entire contract or if additional amounts will be guaranteed for each of the option years, if exercised. The guaranteed minimum amount must be obligated at the time of award. In addition, the contracting officer must establish a reasonable maximum quantity based on the projected project requirements, market research, and trends on recent contracts and must take into consideration the competition threshold for contracts awarded to 8(a) firms (see paragraph 4. above).

e. **Task Order:** Once a project applicable to the IDIQ construction contract is identified, the contracting officer issues a request for a task order proposal to the contractor. The task order request for proposal and resulting task order will define the scope of work, provide all significant quantities, describe the methods of construction, state the period of performance, and state the quality levels required. Single projects shall not be divided into multiple task orders. Each task order should not exceed \$500,000. The use of the pre-priced unit price book based on R.S. Means may result in excessive costs for projects exceeding this amount, since R.S. Means does not factor in economies of scale, especially for single trade projects. Therefore, another contracting approach may be more appropriate. If this dollar threshold is exceeded, a justification must be prepared by the of Chief, Engineering Service, and approved by the Head of the Contracting Activity. The waiver should include a statement outlining the mission requirements and the cost considerations that justify use of a task order instead of an alternative contracting approach.

f. **Prepriced Work--Firm-Fixed Price:** Work obtained from the unit price book is defined as prepriced work and is, therefore, firm-fixed priced. The unit price book in the contract is made up of detailed task specifications, along with a standard unit of measure and a unit price for each task.

g. **Non-prepriced Work:** Items of work not pre-priced in the contract, but which are within the scope of the contract, may be negotiated after award. Non-prepriced proposals must be supported with verifiable documentation. Repetitive items may be negotiated and incorporated into the unit price book by modification to the contract, thereby making it a prepriced item for the remainder of the

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contract. The need to negotiate non-prepriced work reduces the efficiency of the IDIQ and may undermine the cost savings of prepriced items through competition. If the dollar value of the non-prepriced items exceeds 10 percent of the dollar value of the task order, the Chief, Engineering Service, must prepare a justification to explain why the project should be done under the IDIQ. The Head of the Contracting Activity must approve the justification. If the dollar value of the non-prepriced items exceeds 25 percent of the dollar value of the task order, then the task order is outside the scope of the contract and is not appropriate for an IDIQ.

7. Execution Procedures:

a. Project Applicability Analysis: Projects designated for IDIQ construction contracts require the same approval as traditional construction projects before the engineer sends the VAF 90-2237 to the contracting office. Prior to the receipt of the task order proposal from the contractor, the project manager should prepare an independent Government estimate (IGE) for the project using the same unit price book and pricing process as the contractor is required to use. The IGE should be prepared using the unit price book so that a common basis exists to compare with the contractor's proposal. The IGE will be used to evaluate the reasonableness of the contractor's proposal and will serve as the Government's pricing and quantity objective if any discussions with the contractor are necessary relative to the task order.

b. Contract Funding: The technical documents (i.e., unit price book, technical specifications, and statement of work) that the engineer needs to prepare for the solicitation and contract must be submitted to the contracting activity as attachments to the VAF 90-2237. This form and its attachment start the actual contracting process. The VAF 90-2237 should be funded in the amount of the guaranteed minimum contract amount.

c. Negotiation and Source Selection: Competitive procedures for IDIQ construction contracts are preferable. This includes competitive 8(a) procedures if applicable. In the case where adequate competition is not expected for negotiated contracts, cost and pricing data or information other than cost or pricing data may be obtained in accordance with FAR 15.4. If the contracting officer cannot make the determination that the cost, as proposed, is fair and reasonable, further competition, or negotiation of the coefficient, may be advantageous to the Government.

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d. Contract Options: The IDIQ construction contract is flexible in that it is not necessary to award work beyond the guaranteed minimum requirement of the basic contract. Any work awarded the contractor beyond the minimum is the unilateral right of the Government. In deciding the number of annual options to include, the contracting officer should balance the benefits of increased administrative efficiency in exercising the option and the positive performance incentive offered to the incumbent contractor against the added economic and market risks that result from extending the contract terms. Generally, two to three option years offer an optimum balance. The contracting officer shall not include options for more than 4 years.

e. Davis Bacon Wage Determinations: The Davis Bacon Act applies to all contracts for construction over \$2,000. The applicable wage determinations must be included with the solicitation. In addition, a current Davis-Bacon wage determination must be incorporated at the exercise of each option. In accordance with FAR 22.404-12(c)(1) and 52.222-30, the contracting officer must not further adjust the contract price as a result of the incorporation of a new or revised wage determination at the exercise of each option to extend the term of the contract.

f. Bonding: Performance and payment bonds are required by the contractor for all work ordered under the contract, even if the contract minimum or individual task orders are for less than \$100,000. In the rare instance where the contract maximum is less than \$100,000, only payment protection, as set forth in FAR 28.102-1 and VAAR 828.203, would be required for the initial contract award. Any future task orders exceeding \$100,000 would require both payment and performance bonds. FAR Part 28 allows the contracting officer flexibility in increasing the bond amounts in the course of contract performance. When the value of task orders in progress exceeds the existing bond, the contracting officer should get additional bond protection by directing the contractor to increase the penal amount of the existing bond. The Government will, upon request, only reimburse the contractor for the amount of premiums paid the surety after receiving the bonds and evidence of full payment to the surety. Obtaining an individual bond for each individual task order in lieu of increasing the penal amount of an existing bond is also acceptable.

g. Services: The IDIQ construction contract may not be used to perform non-personal services subject to the provisions of the Service Contract Act (e.g., you could not issue a task order for window washing under a IDIQ for

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construction). The Department of Labor (DOL) has jurisdiction over whether a particular requirement is classified as construction work subject to the Davis Bacon Act or services to which the Service Contract Act applies. DOL guidance provides that services such as landscaping and building demolition must be performed as construction when the work is incidental to a larger construction project. If the preponderance of the work involves services, although there may be some incidental related construction work (less than \$2,000 worth), the project falls under the Services Contract Act and shall not be performed using this IDIQ procedure.

h. Solicitation: The solicitation must contain the same FAR and VAAR clauses required for all construction contracts and is subject to the same legal/technical reviews required by VAAR. The minimum and maximum amounts of the contract must be clearly identified and must be in accordance with the provisions of FAR 16.504 and 16.505. An IDIQ and subsequent task orders should not be viewed as an opportunity to avoid the required legal/technical reviews.

8. Please direct any questions regarding this information letter to the Acquisition Assistance Division (049A5D), Sandra Nelson at (916) 561-7550 or Tom Cooper at (414) 902-5405.

/s/C. Ford Heard  
Acting Associate Deputy Assistant Secretary  
For Acquisitions

Attachment

Distribution: RPC 7029



## CONSTRUCTION DATA PRICE ADJUSTMENTS

(1) The R. S. Means, Inc. 'Facilities Construction Cost Data' is the database to be used on this contract for pricing all pre-priced items.

(2) Prior to the Government exercising contract options, economic price adjustments to the pre-priced items will occur annually in accordance with and upon receipt of the current edition of the R. S. Means.

(3) The annual construction database price adjustments shall apply to 'Bare Costs' (excluding Division – General Requirements) and the City Cost Index, as described in R. S. Means, Inc., 'Facilities Construction Cost Data.' The 'Bare Cost' includes material, labor, and equipment costs as indicated in the database. The coefficient shall be negotiated and agreed to prior to initial contract award for the base year and for each of the option years.

(4) The contractor shall use the established prices in effect as of the date of request from the Government for an individual task order proposal.