



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

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ACQUISITION,  
TECHNOLOGY  
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  
(POLICY AND PROCUREMENT), ASA (ALT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION & LOGISTICS MANAGEMENT),  
ASN (RDA)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTORS, DEFENSE AGENCIES  
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: Proper Use of Time-and-Materials Contract Types

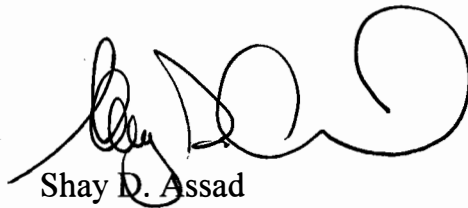
Over the past several years, the Department's reliance on time-and-materials (T&M) contracts has continued to increase, particularly for professional, administrative, management support, information technology, and communication services. While T&M contracts are the least preferred contract type, some contracting activities are using T&M contracts to acquire as much as 60 percent of their annual requirement for services.

As specified in FAR 16.601, T&M contracts are only authorized when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. However, the General Accountability Office (GAO) recently found that DoD is using T&M contracts because T&M contracts can be awarded quickly and adjusted easily when contract requirements are unclear or funding is uncertain (see GAO report 07-273, Defense Contracting: Improved Insight and Control's Needed over DoD's Time-and-Materials Contracts, dated June 2007).

These trends and findings are a major concern. To help ensure T&M contracts are only used when authorized, military departments and defense agencies must establish procedures for analyzing whether T&M contracts and orders under indefinite-delivery contracts are being used when other contract types are suitable. These procedures must include an assessment of the appropriate use of T&M contracts by the head of the contracting activity of any contracting activity that obligated more than 10 percent of its total fiscal year 2007 services' spend using T&M contracts or orders. The report should include the actions that will be taken to reduce the use of T&M contracts whenever possible.



In addition, the military departments and defense agencies must provide a summary of that assessment to the Deputy Director for Strategic Sourcing, Mr. Stuart Hazlett by June 4, 2008.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large, stylized flourish at the end.

Shay D. Assad  
Director, Defense Procurement,  
Acquisition Policy, and  
Strategic Sourcing