

CHAPTER 7. MAJOR SYSTEMS ACQUISITIONS

7-1 PURPOSE. This chapter prescribes the Department's policy and procedures for implementing the requirements of OMB Circular A-109, "Major Systems Acquisitions," and FAR Part 34.

7-2 APPLICABILITY.

- A. The requirements of this chapter are applicable to acquisition projects that:
 - 1. Are directed at, and critical to, the fulfillment of HUD's mission;
 - 2. Involve the allocation of resources in excess of \$100 million for the life cycle cost per project;
 - 3. Warrant special attention of Departmental management; and,
 - 4. Are subject to the FAR.

- B. Notwithstanding paragraph A above, the CPO may:
 - 1. Designate any procurement as a major system acquisition if its importance to the Department's overall mission warrants such emphasis; or,
 - 2. Waive the requirements of OMB Circular A-109, FAR Part 34, and this Chapter 7 if an acquisition exceeds the dollar threshold set forth in paragraph 7-2.A, but does not otherwise meet the definition of a major system.

- C. The requirements cited above apply to any mission need meeting the definition of major system acquisition. Within HUD, however, major system acquisitions will normally be made in the area of IT resources.

7-3 DEFINITIONS. Definitions contained in OMB Circular A-109 and FAR Part 34 are incorporated into this handbook by reference. In addition, the following terms are defined:

- A. Program Mission means the responsibilities for meeting Departmental needs that are assigned to a specific program office (see paragraph 1-3 for definition

of program office); and,

- B. Acquisition, as used in this chapter, means the entire system acquisition process and includes the necessary procurement actions.

7-4 RESPONSIBILITIES.

- A. The Secretary shall approve:

1. The specific mission need to be met, including the relative priority assigned to the need within the Department and the general magnitude of resources that may be invested to meet it (see paragraph 7-5);
2. The selection of competitive system design concepts to be advanced to a test/competitive demonstration phase or the authorization to proceed with the development of a noncompetitive (single concept) system (see paragraph 7-5);
3. The full-scale development and testing of a system (see paragraph 7-8);
4. The full production and performance of a system (see paragraph 7-9); and,
5. The omission of any of the above approvals from the process.

- B. The POH shall:

1. Have primary responsibility and accountability for the acquisition of the major system;
2. Retain decision-making authority for technical and programmatic aspects of the major system;
3. Designate the Program Manager in writing. The designation shall describe the Program Manager's authority, responsibility, and accountability for accomplishing the approved program mission. (Note: The POH may serve as the Program Manager. The Chief Information Officer or his/her designee shall serve as the Program Manager for major systems acquisitions involving Information Technology resources);
4. Provide the Program Manager with guidance on the budgeting aspects of the major system; and,

5. Ensure that all involved program offices (if more than one) are made aware of the major system acquisition and of the designated Program Manager.

C. The Program Manager shall:

1. Be responsible for the day-to-day oversight and management of the system acquisition process;
2. Identify and assemble a staff to assist in managing the programmatic and technical aspects of the acquisition process;
3. Develop the Mission Need Statement (MNS) and acquisition plan;
4. Coordinate the development and implementation of the acquisition plan with senior Departmental management, the various HUD program offices involved, and other Government agencies and industry, as needed; and,
5. Monitor system tests, contractor progress and compliance with the system performance, and, cost and schedule requirements.
6. Have the following traits in order to be selected as a Program Manager:
 - a. An understanding of the system users' needs and constraints;
 - b. An understanding of the program mission(s) to be served by the acquisition;
 - c. Familiarity with systems development principles; and,
 - d. Requisite management skills and experience, including, as needed and appropriate, such areas as:
 - (1) Research and development;
 - (2) Operations;
 - (3) Engineering;
 - (4) Testing;
 - (5) Procurement;
 - (6) Prototyping and fabrication of complex systems;
 - (7) Production;

- (8) Business;
- (9) Budgeting; and,
- (10) Finance.

D. The CPO shall:

- 1. Provide leadership and direction to integrate and unify the management process for the Department's major system acquisitions; and,
- 2. Ensure and monitor the implementation of major system acquisition policies and procedures, and participate in the review process set forth in OMB Circular A-109.

E. The OCPO shall:

- 1. Develop and maintain policies and procedures implementing the requirements of OMB Circular A-109;
- 2. Advise the Program Manager on the development of the acquisition plan; and,
- 3. Award and administer contracts for the major system including contract actions for:
 - a. Alternate system design concepts;
 - b. Short-term efforts to:
 - (1) Further expand design concepts; or,
 - (2) Provide competitive demonstration of selected designs;
 - c. Full-scale system development; and,
 - d. System production and operation.

7-5 MISSION NEED STATEMENT (MNS).

- A. Process. The major system acquisition process begins with the preparation of the Department's budget. The CPO and the POHs will review the proposed budget items to identify requirements that meet the definition of a major system acquisition. For each such requirement, the designated Program Manager shall prepare an MNS. The Program Manager shall submit the MNS through the cognizant POH, the CPO, and the Assistant Secretary for Administration to the Secretary for approval. The approved MNS will be used to communicate the major system need to Congress through the budget process in accordance with OMB Circulars A-10 and A-11.
- B. Contents. The MNS shall describe the mission need, but shall not propose any particular technological solution, system or approach to meeting that need. The MNS shall describe:
1. The mission purpose;
 2. The mission capability, including an explanation of the inability of the current or previous system(s), if any, to meet the mission need;
 3. The components (e.g., program offices) of the Department involved;
 4. Time constraints, if any;
 5. The value or worth of meeting the need, including any actual or potential cost to the Department of not meeting the need;
 6. The relative priority of the need with regard to other Departmental mission needs;
 7. Operating constraints, if any; and,
 8. The estimated total cost of the system.
- C. Major Systems Involving Information Technology (IT) Resources. When the major system involves the acquisition of IT resources (including telecommunications systems), the requesting office should seek advice and assistance from the Office of Information Technology (OIT) in preparing the MNS and in developing functional specifications.
- D. Alternative vs. Single Design Concepts.
1. The Secretary's approval of the MNS will indicate whether alternative system design concepts shall be explored or development of a single design is authorized. Development of a single design, or noncompetitive,

system may be authorized on the basis of urgency of need or by the physical and financial impracticality of demonstrating alternatives.

2. When a potentially noncompetitive system is identified, it shall be thoroughly analyzed to identify and break out any components of the system that may be procured competitively (e.g., hardware items).
3. The cognizant POH will include the single system design when preparing the program office's input for the budget cycle. That information will be furnished to the Office of Budget within the Office of Administration.

E. Requirement to Explore Other Means to Meet Need. Secretarial approval of the MNS shall not automatically eliminate the requirement to seek other means of satisfying the need (e.g., through interagency agreements, etc.). Major system acquisitions may have a long lead-time. Furthermore, changes in Departmental or program mission and policies, the existence of alternative solutions to the mission need (e.g., retraining of existing Departmental personnel), the impact of other major system acquisitions, etc., may negate or change the need as originally conceived. Therefore, the Program Manager shall ensure that the currency and validity of the MNS is re-evaluated throughout the process. If the Program Manager determines that the MNS as defined no longer fully meets the Department or program mission's needs, he/she shall notify the cognizant POH and CPO.

F. Upon MNS Approval. The Program Manager shall:

1. Identify and assemble staff with the required skills and experience to manage the assigned acquisition. The staff should include appropriate technical, programmatic, procurement, legal, and budget expertise;
2. Develop, with the staff, the system acquisition plan. The plan should encompass the entire system acquisition process. At a minimum, the plan should include the strategy for completing the acquisition, key decision points and milestones, responsible individuals and offices, and schedules for completing each part, and obtaining each required approval. The plan shall address the following subject areas: exploration of alternative systems; competitive demonstration of alternative systems; limited competitive full-scale development; testing and evaluation of similar or differing systems demonstrated and chosen as sound, acceptable concepts that are economically feasible to meet the acquisition need; and, selection of the system for full production, development and operations; and,

3. The CPO must approve major deviations from the acquisition plan. The Secretary must approve any waiver of the plan.

7-6 EXPLORATION OF ALTERNATIVE SYSTEM DESIGNS.

- A. Use of Contracts. Alternative design concepts shall be obtained through competitive, short-term contracts. Competitive contracts shall be awarded in accordance with Chapter 5 of this handbook.
 1. Requests for Contract Service (RCS). For each proposed contract action under which alternative design concepts will be developed, the Program Manager shall submit to OCPO a complete RCS (see section 4-2 for contents).
 - a. The SOW for alternative design concepts shall describe the mission need, the system's capability objectives, and any known operating constraints. The SOW work shall also include criteria the Department will use to select concepts for further development. Such criteria shall include, but are not limited to, the following:
 - (1) The capability of the proposed system design to meet the mission need and program objectives as described in the SOW;
 - (2) The types and amounts of resources required;
 - (3) The benefits to be derived by trade-offs, where feasible, among technical performance, acquisition costs, and ownership costs;
 - (4) The amount of time to develop and procure the proposed system; and,
 - (5) The past performance of the contractor and the competence of his/her key personnel.
 - b. The RCS shall clearly indicate any relevant technology and information that the Department will make available for use by the contractors in preparing their design concepts. (Note: Information (e.g., ideas, concepts, etc.) or technology developed by the Government or at Government expense may be made available to offerors in the solicitation. The OCPO will include this information in the instructions to offerors; see also paragraph 5-3.E.)

- c. The SOW and proposal instructions must allow each offeror to propose his/her own technical approach, main design features, subsystems, and alternatives to meet the Department's need.
 - d. The Program Manager shall develop the evaluation factors to be used in selecting the offerors whose proposed concepts are deemed to be most advantageous to meeting the Government's needs as candidates to expand the concepts and reduce technical uncertainties present in each system (see also paragraph 5-3.F).
 2. Meetings with Potential Contractors. The Program Manager is encouraged to hold orientation briefings for industry to solicit innovative solutions and approaches to program objectives and to coordinate with other Federal agencies to foster technology transfer. The Program Manager shall coordinate with the OCPO prior to holding any meetings with potential contractors (see sections 4-5 and 5-4).
 3. Solicitation. The OCPO will review the acquisition plan and the RCS for design concept proposals for compliance with OMB Circular A-109 criteria, and will request changes if there are any nonconformances. Once the plan is determined to be in conformance with OMB Circular A-109, the OCPO will prepare and issue the RFP(s) for alternative design concepts to all potential sources.
 4. Evaluation of Offers.
 - a. The OCPO will forward the design concept proposals to the Program Manager for the evaluation and selection of the most promising system for further exploration.
 - b. The Program Manager shall serve or be represented on panels that evaluate proposals.
 5. Discussions and Negotiations. Oral discussions during the evaluation process to get clarification of the design concept proposals are strongly encouraged. Under no circumstances, however, may any offeror be given access to information concerning the approach of any other offeror (see paragraph 5-5). The Program Manager shall be responsible for arranging any oral discussion. The Contracting Officer or his/her designee shall conduct all discussions.

- B. Monitoring Contractor Performance. While exercising caution not to constrain contractor innovation, the Program Manager shall ensure that the design concept contracts are adequately monitored with emphasis on:
1. Providing contractors with any necessary operational and support information, and experience;
 2. The measures being taken by the contractors to progressively reduce risks;
 3. The responsiveness of the system design to the mission need; and,
 4. Continuous evaluation of the contractor's efforts to identify and eliminate the least attractive alternatives.

7-7 COMPETITIVE SYSTEM DESIGN DEMONSTRATIONS.

- A. The alternative design contractors shall submit their design concepts to the OCPO in accordance with the delivery schedule in their contracts. The OCPO will forward the designs to the Program Manager for evaluation. The evaluation will be conducted in accordance with criteria established in the design concept contract. The Program Manager shall appoint any panel needed to conduct the evaluation.
- B. The Program Manager shall forward the recommended design concepts to the Secretary for authorization to proceed to the competitive demonstration of the concepts. The authorization shall include the approval of the concepts and reaffirmation of the mission need and program objectives. The Secretary may authorize a waiver of the demonstration when it is determined not to be feasible, and the selection of a contractor to continue into full-scale development and initial production can be made without the demonstrations. When the Secretary approves competitive demonstrations, selection of the winning concept(s) will be made on the basis of soundness of concept and performance in an operational environment within established schedule and cost constraints of the MNS. The selection provides the basis for the continuation of the design concept into full-scale development.

7-8 FULL-SCALE DEVELOPMENT, INITIAL PRODUCTION, SYSTEM TESTING, AND PERFORMANCE.

- A. Selection of a system(s) and contractor(s) for full-scale development, production, testing, and performance shall be made on the basis of:
1. System performance measured against current mission need and program objectives;
 2. An evaluation of estimated acquisition and ownership costs; and,

3. Such factors as contractor(s) demonstrated management, financial, and technical capabilities to meet program objectives.
- B. The Program Manager shall monitor system tests and contractor progress in fulfilling system performance cost, and schedule commitments. Significant actual or forecast variances will be brought to the attention of the appropriate management authority for corrective action.

7-9 FULL PRODUCTION/SYSTEM PERFORMANCE.

- A. Full production/system performance may be approved when:
1. The Department's mission need and program objectives are reaffirmed; and,
 2. System performance has been verified through testing conducted by an entity independent of the Departmental component(s) having cognizance over the system development and the end user organizations. Such testing must evaluate the system in an environment that assures demonstration in expected operational conditions. The Secretary may grant exceptions to independent testing under circumstances such as physical or financial impracticability or extreme urgency.
- B. Full production/system performance is normally performed under contract(s) awarded to the contractor(s) who has(have) furnished a satisfactory product from the full-scale development contract(s).
- C. The Program Manager normally serves as the GTR for the production contract(s), but may delegate that responsibility in accordance with Chapter 11 of this handbook.