

Other Transactions Workshop Aug. 5, 2020



DOD Other Transactions Workshop

Ben McMartin, Hallie Balkin, Michelle Currier, and Ryan Connell



Who are the Presenters?



Ben McMartin Managing Partner, PSF



Michelle Currier
Professor of Contracting, DAU



Hallie Balkin
OTA Learning Director, DAU



Ryan Connel

DCMA Northeast Pricing Director



Content Agenda

- A Note From DAU
 - Hallie's Vision
- The Basics
 - What is an Other Transaction?
- Agency Authorities & Comparison
 - Who has Authority?
- The DOD Authorities
 - Statutory Requirements and Comparison
 - Is my firm a Nontraditional Defense Contractor / Nontraditional Government Contractor?
 - What exactly is "Significant Participation"?
- Publicizing & Soliciting
 - The Who, What, Where, When, and How of Competition
- Negotiating Terms
 - Intellectual Property / Pricing
- Production, Consortia, Funding, Stacking, and Other areas of Confusion

Defense Acquisition University is proud to present the

Other Transaction Authority (OTA) Learning Menu

- 1. Neg-OTA-tion 101: Demystifies Other Transaction Authority (OTA) by providing a foundation to understand when an Other Transaction (OT) award may be used, to whom it may be awarded, practical applications, key legal considerations, as well as lessons learned from various DoD command experiences. Current trends, such as COVID-19 impacts and data rights best practices, is discussed and explored. Length = approx. 90 minutes. Audience = 12 to 350 virtual participants.
- 2. <u>Simulated OTA Workshop</u>: Highly interactive. Each team is given a robust scenario consisting of various stakeholders demands (e.g. program office, contracts, requirements developers, engineer, finance, legal, intellectual property attorney, etc.). Next, each team engages in hands-on simulations, working through the requirement from "inception" to "award." Common OT challenges surface in the simulation. The teams must work together to overcome likely roadblocks, yielding lessons learned that could be easily applied to their future applications. Length = 2 to 2.5 days. Audience size = 8 to 12 participants.
- 3. OT Coaching: Designed for a command or program office that has successfully identified the requirement, determined the requirement to be appropriate for an OT, and funding is available. DAU's SME is embedded in the OT team as an advisor, providing helpful considerations, successful past examples of processes, required actions, suggestions when roadblocks occur, and applicable lessons learned. OT Coaching uses the most current and relevant information. Material is tailored to the requirement and team members involved. Length = Contingent on project. Audience size = based on project.



To further discuss a menu item or to schedule a session, please contact Hallie Tremaine Balkin, Learning Director for Other Transactions (OTs): Hallie.balkin@dau.edu.



Attendee Poll Question #1

- What is your current role?
 - A. Federal Government Buyer
 - B. State/Local Government Buyer
 - C. Industry Supplier
 - D. Academic Supplier (researcher)
- E. Support Function (Attorney, Accountant, Security Consultant, Proposal Writer)



A Shift in How Agencies Procure Technology

Standard Approach

- 1. Requirements Development (Solution)
- 2. Market Research
- 3. Synopsis
- 4. RFP
- 5. Source Selection
- 6. Award



Federal Acquisition Regulations & Associated Supplements



15 USC 3724 15 USC 3715 10 USC 2374a | 10 USC 2371 10 USC 2371b | 10 USC 2373



The Basics

-What is an Other Transaction?



Defining Other Transaction (OT)

- An Other Transaction is a legally binding agreement, authorized by statute for a particular purpose.
- An Other Transaction is NOT a grant, cooperative agreement, procurement contract or technology investment agreement.
- Other Transactions are not subject to the Federal Acquisition Regulations (FAR) or its supplements, or assistance agreement regulations such as the Department of Defense Grant and Agreements Regulations (DoDGARS).
- There are 18 distinct Other Transaction Authorities available to 11 Federal Agencies.



Agency Authorities & Comparison

	DOD ARMYAIR FORCE NAVY		VY (DHS	DNDO DNDO	TSA Transportati Security Administrati	DOT ion ion	
R&D OT Authority	10 USC 2371			391(a)(1) IAW ISC 2371	6 USC 596(1)	49 USC 1	l 14(j)	49 USC 5312(a)-(d)
Prototype / Deployment / Demonstration OT Authority	10 USC 2371b		10 USC 23 of Public La	6 USC 391(a)(2 IAW 10 USC 2371 Section 845 of Public Law 103-160, as amended		49 USC 114(j)		49 USC 5312(e)
	ARPA- U.S. DEPARTMENT OF ENERGY OFFICE CHANGING WHAT'S POSSIBLE	HHS (BARDA)	NIH	NIH	NIH NIH	FAA	NASA	DOE
R&D OT Authority	42 USC 16538	42 USC 247d- 7e(5)(A)	42 U.S.C. § 284n(b)(1)	42 U.S.C. § 285b-3 Subject to 42 USC 284(b)(2)	42 U.S.C. § 287a(e)(3)(C)	49 USC 106(l)(6)	51 USC 20113(e)	42 USC 7256(g)) IAW 10 USC 2371
Prototype / Deployment / Demonstration OT Authority	42 USC 16538	N/A	N/A	42 U.S.C. § 285b-3 Subject to 42 USC 284(b)(2)	N/A	49 USC 106(I)(6)	51 USC 20113(e)	42 USC 7256(g) IAW 10 USC 2371 Section 845 of Public Law 103-160, as amended



The DOD Authorities

- -Statutory Authorities and Prototype Requirements
- -Is my Firm a Nontraditional Defense Contractor?
- -What Exactly is "Significant Participation"?



DOD Statutory Authorities



- For basic, applied, and advanced research projects
- 50/50% Cost Share (to the Extent Practicable
- Used where contract, grant, or cooperative agreement are not "feasible or appropriate"
- Custom IP negotiated at arms length
- No FAR/DFARS or DODGARS



10 USC 2373 Purchase for Experimentation

- For purchase of ordnance, signal, chemical activity, transportation, energy, medical, space-flight, and aeronautical supplies, for experimental or test purposes
- Purchase quantities are limited to the amount necessary for experimentation.



- For basic, applied, and advanced research projects
- 50/50% Cost Share (to the Extent Practicable
- Used where contract, grant, or cooperative agreement are not "feasible or appropriate"
- Standard IP provisions
- No FAR/DFARS but DODGARS does apply



10 USC 2371b Prototyping OT

E

- For prototyping directly relevant to DOD mission
- 1/3 Cost Share or significant NDC participation
- Custom IP negotiated at arms length
- No FAR/DFARS or DODGARS



DOD Statutory Requirements – 2371b





Directly relevant to <u>enhancing the mission effectiveness</u> of military personnel and the supporting platforms, systems, components, or materials proposed to be acquired or developed by the Department of Defense, or to <u>improvement of platforms</u>, <u>systems</u>, <u>components</u>, <u>or materials</u> in use by the armed forces.





A proof of concept, model, reverse engineering to address obsolescence, pilot, novel application of commercial technologies for defense purposes, agile development activity, creation, design, development, demonstration of technical or operational utility, or combinations of the foregoing. A process, including a business process, may be the subject of a prototype project.





- (A)There is at least <u>one nontraditional defense contractor</u> or <u>nonprofit research institution</u> participating to a <u>significant extent</u> in the prototype project.*
- (C)At least one third of the total cost of the prototype project is to be paid out of funds provided by **sources** other than the federal government.



What is a Non-Traditional Defense Contractor?



A **Non-traditional Defense Contractor** is "[a]n entity that is not currently performing and **has not performed**, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any contract or subcontract for the Department of Defense that is **subject to full coverage under the cost accounting standards** prescribed pursuant to section 1502 of title 41 and the regulations implementing such section. (10 USC 2302(9))

Most Entities will find they qualify as Non-traditional Defense Contractors, because:



Small businesses are exempt from CAS requirements



Exclusively perform contracts under commercial procedures (FAR Part 12)



Exclusively perform Fixed-Price Contracts with Adequate Price Competition



Perform less than \$50M in CAS covered efforts during the previous accounting period



Change in the Definition of NDC under 2371b



Section 845 of Public Law 103-160

A Non-traditional Government Contractor is "a <u>business unit</u> that has not, for a period of at least one year prior to the date of the <u>OT agreement</u>, entered into or performed on (1) <u>any contract</u> that is subject to full coverage under the cost accounting standards prescribed pursuant to section 26 of the Office of Federal Procurement Policy Act (41 U.S.C. 422) and the regulations implementing such section; <u>or (2) any other contract in excess of \$500,000 to carry out prototype projects or to perform basic, applied, or advanced research projects for a Federal agency that is subject to the Federal Acquisition Regulation.</u>

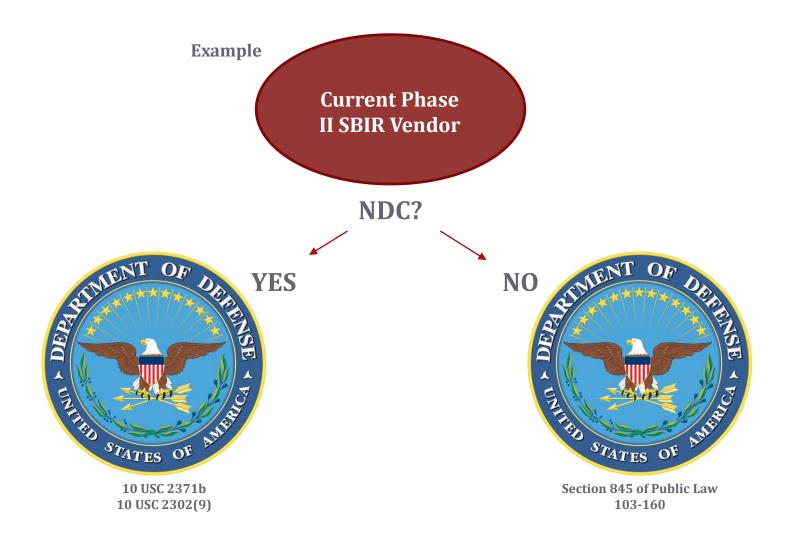


10 USC 2371b (10 USC 2302(9)

A Non-traditional Defense Contractor is "[a]n entity that is not currently performing and has not performed, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any contract or subcontract for the Department of Defense that is subject to full coverage under the cost accounting standards prescribed pursuant to section 1502 of title 41 and the regulations implementing such section. (10 USC 2302(9))



NDC Definition Change - Why it matters





Attendee Poll Question #2

- Can we tell who the NDCs are?
 - A. I am an industry partner and I am confident that I qualify as an NDC
 - B. I am an industry partner and I am confident that I DO NOT qualify as an NDC
 - C. I am an industry partner and I am still unsure whether I qualify as an NDC
- D. I am a Government buyer and I am confident I can verify which companies qualify as NDCs
- E. I am a Government buyer and I AM NOT confident I can verify which companies qualify as NDCs



What is participating to a "significant extent"?

DPAP OT Guide JAN 2017 (Rescinded) **Significant Extent**: Examples of what might be considered a significant contribution include, but are not limited to, supplying new key technology or products, accomplishing a significant amount of the effort, or in some other way causing a material reduction in the cost or schedule or increase in the performance.

OUSD(A&S) OT Guide NOV 2018 (Current)

Significant Extent: the Agreements Officer (AO) is expected to consider input from relevant technical advisors in assessing the totality of the circumstances for each proposed prototype project.

The AO should consider, by way of illustration and not limitation, whether the NDC/nonprofit research institution will supply a new key technology, product or process; supply a novel application or approach to an existing technology, product or process; provide a material increase in the performance, efficiency, quality or versatility of a key technology, product or process; accomplish a significant amount of the prototype project; cause a material reduction in the cost or schedule of the prototype project; or, provide for a material increase in performance of the prototype project.



Invoice -

Materials: Hammer: \$5

Labor: Swinging Hammer: \$5

Knowing where to hit the machine with hammer:

\$4990

Prime Overhead and Passthrough Charges: \$500,000



Publicizing and Soliciting

-The Who, What, Where, When, and How of Competition.



Publication & Solicitation Methods

Traditional Acquisition



- Market Survey
- Request For Information
- Sources Sought
- Industry Day
- Synopsis
- Request for Quote/Proposal (RFQ/RFP)



Acquisition Innovation



- Conducting crowdsourcing events
- Use of Partnership Intermediaries
- Compiling a capabilities database
- Conducting reverse industry days
- Conducting Prize Challenges
- Hackathons
- Publishing surveys
- Pitch Event

- Broad Agency Announcement
- Commercial Solutions Opening
- Request For Solutions
- Requests For White Paper
- Prize Contest
- Hackathon
- Shark-Tank











Solicitation Methods

Commercial Solutions Opening

Annual Plan Call for WPs

Broad Agency Announcement

Prize Challenge



Competitive solicitation process pioneered by Defense Innovation Unit (DIU) and Army Contracting Command New Jersey (ACC-NJ).

The CSO is a three-phase process including (1) evaluation of company solution briefs; (2) pitch to the government; and (3) invitation to submit proposals to be negotiated with the government.







Competitive solicitation process in which the Government identifies broad topic areas for investment, along with current Government capability gaps to a consortium of companies. In response industry submits white paper solutions for further development, negotiation, collaboration and award.





Agency announcement with Peer or Scientific Review for the acquisition of basic and applied research and that part of development not related to the development of a specific system or hardware procurement.

Issued annually to solicit meaningful proposals with varying technical/scientific approaches.





Competitions among individuals, private industry, academia, and Government stakeholders, requiring them to submit solutions in response to a defined problem set.

Challengers are incentivized through the use of monetary or nonmonetary rewards.



"Agencies that intend to award only OTs from a solicitation are free to create their own process to solicit and assess potential solutions"



Attendee Poll Question #3

- In practice, the solicitation method I prefer to use or bid is:
 - A. RFQ / RFP through Beta.Sam.Gov
 - B. Broad Agency Announcement
 - C. Commercial Solutions Opening
 - D. Request for White Paper with Down-select
 - E. Hackathon/Pitch Day



Negotiating Terms

- -Intellectual Property
- -Pricing



Intellectual Property



Statute

35 U.S.C. § 201-204 and 10 U.S.C. § 2320-21 do not apply to OTs;

STEP 2

Regulation

FAR, DFARS, and DOD Grants & Agreements Regulations (DoDGARS) do not apply to OTs

STEP 3

Policy / Guidance

OUSD A&S - Other Transactions Guide (Nov. 2018, ver. 1.0)

Army Directive 2018-26 (Enabling Modernization Through the Management of Intellectual Property)



Intellectual Property (IP)

- OUSD A&S IP Considerations:
 - 35 U.S.C. § 201-204 and 10 U.S.C. § 2320-21 do not apply to OTs and negotiation of rights of a different scope is permissible and encouraged
 - Identify business plans for the technology at 1 year, 3 years, 5 years, and beyond
 - Tailored IP terms may include, but are not limited to, royalty provisions, limited licenses (scope, duration, manner), options, conditions, right-of-first refusal, and exclusive dealing terms, amongst others
 - The Government team should plan for maintenance and support of fielded prototype technology when the technology is no longer supported by the commercial market and consider obtaining at no additional cost a license sufficient to address the Government's long-term needs to the technology



Intellectual Property

Army IP Objectives:

Ensure that the policies and practices governing intellectual property:

- 1. Provide the Army with the necessary access to effectively support our weapons systems, but do not constrain delivery of solutions to the warfighter;
- 2. Do not dissuade commercial innovators from partnering with the Army;
- 3. Balance the goals of fostering private innovation with long-term sustainment considerations;
- 4. Seek only the necessary IP to meet the Army's needs; and
- 5. Establish prices for license rights early in the process when competition exists.



Intellectual Property

Default Patent Rights and Licensing Terms

Awardee retains the entire right, title and interest throughout the world to each Subject Invention. Government reserves a license to practice or have practiced on behalf of the United States the subject invention throughout the world which may be:

Exclusive

Transferable

Revocable

Paid-up

For the entire invention

For the duration of the patent

Without further restriction

Non-exclusive

Non-transferable

Irrevocable

Royalty-based

Portion thereof

For a limited time

Subject to limitations



Pricing



Price Reasonableness.

The Government team shall determine price reasonableness. The Government team may need data to establish price reasonableness, including commercial pricing data, market data, parametric data, or cost information. However, the AO should exhaust other means to establish price reasonableness before resorting to requesting cost information.

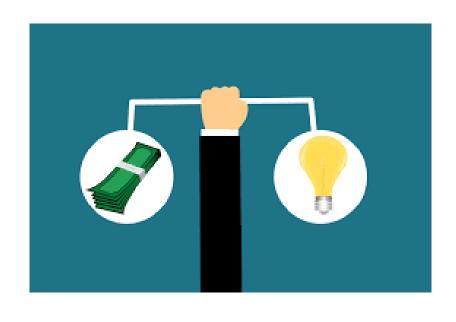




Price Analysis Discussion

Pricing Forces

- ► Inherent Competition
- ► Budget fulfillment
- **▶** Pricing Considerations
 - ► What are the alternatives
 - ► Price/Value continuum
 - ► Lifecycle consideration
 - ► Time/Value (your time)
 - Proposal Independent Price Estimate (PIPE)
 - ► FTE Reverse engineering
- Resources & Ideas



"The Government team shall determine price reasonableness. The Government team may need data to establish price reasonableness, including commercial pricing data, market data, parametric data, or cost information. However, the AO should exhaust other means to establish price reasonableness before resorting to requesting cost information."

-2018 DoD guidebook for Other Transactions (OT)



Production, Consortia, Funding, Stacking, and Other areas of Confusion



Attendee Poll Question #4

- Which of these OTA related items causes you the most heartburn?
 - A. Production
 - B. Funding
 - C. Consortia
 - D. Stacking Authorities
 - E. Procurement Administrative Lead Time

Announcing Potential Sole-Source Follow-On Production Under The DOD Other Transaction Authority



"At a minimum, potential follow-on activities, to include follow-on production shall be identified in the solicitation and any resulting OT Agreements. The level of fidelity for production follow-on efforts is naturally limited by the nature of prototyping efforts. Therefore, the level of detail required as to follow-on activities needs to be sufficient for prospective technology providers within the technology sector to make an informed decision whether to bid on the prototyping effort, with the understanding that size, scope and value of potential follow-on activities may vary."

USD(A&S) OT Guide, p. 15 (2018)

Information For Government

The Government should provide sufficient information regarding follow-on activities to allow industry to make an informed bid/no-bid decision at the prototyping stage.

The Government should avoid requiring industry to provide fixed price production options prior to prototype development.

Information For Industry

Industry Should make bid/no-bid decision based upon prototype effort requirements and the Government's notice of potential follow-on activities.

Industry should understand that identification of potential followon production is provided as notice only and is subject to change.



Production

STOP. BREATHE. YOU ALREADY KNOW HOW TO DO THIS.



You Competed the Prototype Effort



The Prototype Solicitation and Resulting Transaction Identified the potential for Follow-On



Production

The Prototype was Successfully Completed

Go Directly FAR Contract; OR

to: Production Transaction (FAR-Minus; or Paper Plus approach)



Consortia, Collaborations, and Technology Networks

Managing Entity

Consortia



19 Collaborations 19 Agreements



1 Consortium 7 Agreements



3 Consortia 4 Agreements



1 Network 2 Agreements



1 Consortium 1 Agreement























3400+ Members













ERDC



















500 Members

350 Members

250 Members

7 Management Firms | 34 Agreements | \$40 Billion in Ceiling



Funding OTAs



Office of the Under Secretary of Defense for Acquisition and Sustainment

November 2018

Practice

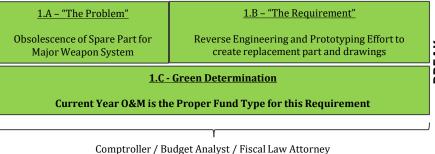
General Rules for OTA Funding

- 1. Fiscal Law applies to the expenditure of Federal Funds, regardless of procurement instrument;
- 2. The determination of appropriateness of available funding and fund type (**Green Determination**) is *independent* of the determination of appropriateness of the award instrument (**Blue Determination**); and
- 3. The agency decision to use an OT does not expand, nor restrict available appropriations.

"There is a common misperception that OTs are limited to RDTE funded efforts. This is simply not true. All fund types are available, provided that the acquisition team complies with both Fiscal Law and the requirements of the OT statute. The Green/Blue Determination is a valuable method to assure compliance."

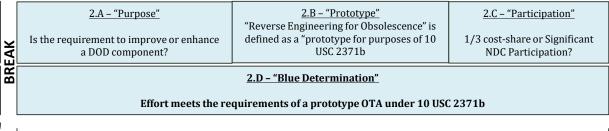
Step 1: "Green Determination"

(Funds Identification and Certification)



Step 2: "Blue Determination"

(OT Statutory Compliance)



Agreements Officer

Step 3: "Award" (Funding applied to OT)

3.A – "Award"

Award the OTA project with the identified funding

(OTA Project / Operations & Maintenance Funding Example)



Challenge.gov

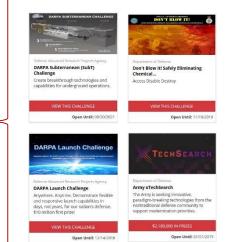
Agency Organized

Hackathon

Stacking Authorities – Prize Challenge to Production

10 USC 2374a

(Prizes for Advanced Technology Achievements)





10 USC 2373

(Procurement for Experimental Purposes)



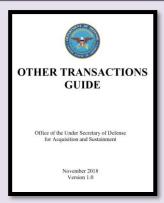
Leveraging solutions resulting from a prize challenge / Hackathon, the Government may buy supplies, including parts and accessories, and designs thereof, for experimental or test purposes by contract or otherwise.

10 USC 2371b

(Prototype OTA)



Leveraging the Prize
Challenge / Hackathon as
a solicitation method, the
Government may, in
addition to awarding
prize money, enter into a
prototype other
transaction agreement
for further development
and delivery of a
prototype.*



"[A]gencies are encouraged to leverage other events, activities, *or even authorities* to provide for the collection of potential solutions."

- USD (A&S) OT Guide, p. 16 (2018)



*Where the prototype is successfully completed, the Government may pursue solesource, follow-on Production through OTA or contract.

WHY STACK? - Stacking authorities maximizes the value of activities such as prize challenges or Hackathons through challenge.gov or similar agency-organized activities. Leveraging such activities as both a market research tool and a solicitation for future efforts allows the Government to identify novel technologies, reward creative solutions, test potential applications, prototype hardware and processes, and produce the material solutions of tomorrow.

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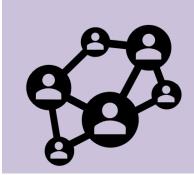
Procurement Admin Lead Time



There is nothing inherently "fast" about OTs. OTs provide an opportunity for streamlined procurement when executed by expert personnel who actively work the effort.



For those unable to assess risk, or not willing / empowered to take on risk, OTs will prove frustrating and slow.



More people = slow. Piling on stakeholders for every decision and instituting multiple levels of reviews is a recipe for disaster.





The OT Statute and Guidance is limited for a reason. Instituting additional rules, processes, and reviews is adding a layer of speed bumps not intended by Congress, nor by OSD.



Brooks' Law

Adding manpower to a late software project makes it later.

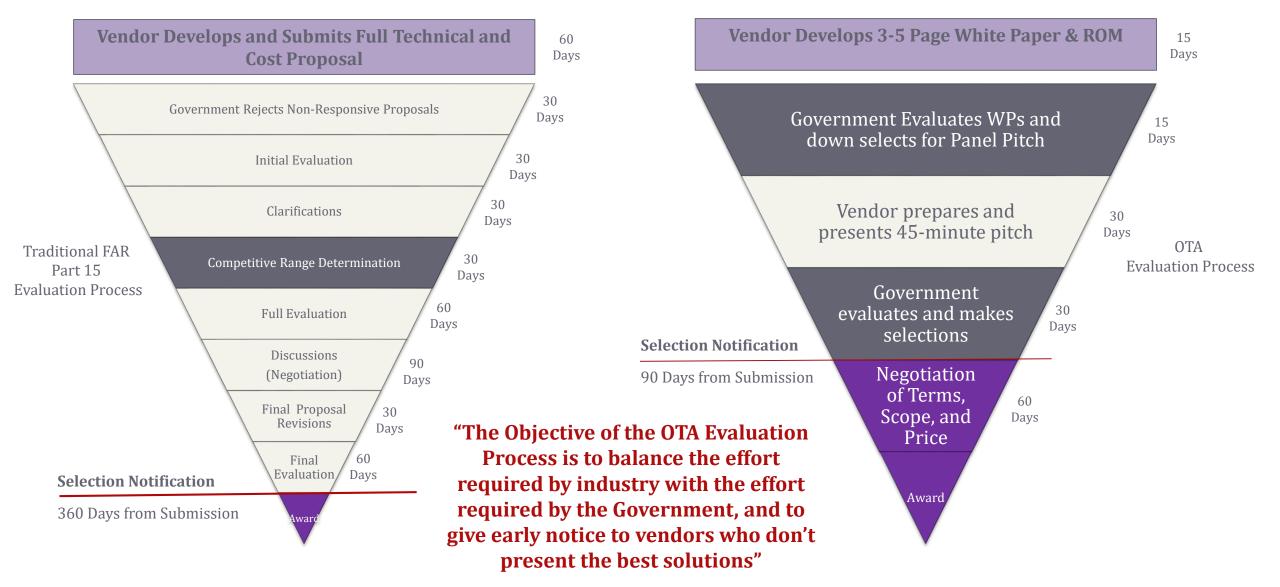


"While it takes one woman nine months to make one baby, nine women can't make a baby in one month."

- Fred Brooks, 1975



PALT METRICS - Speed to Selection (S2S) FAR vs. OTA





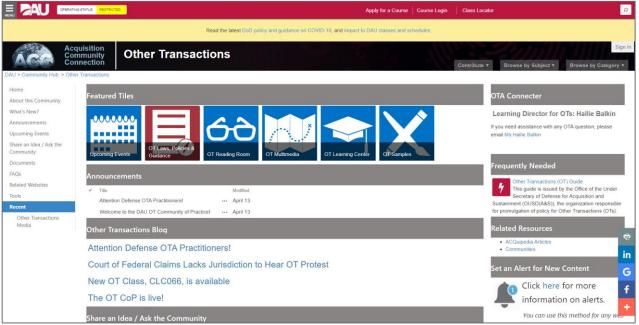
Questions?

Resources





Community of Practice



https://aaf.dau.edu/aaf/ot-guide/

https://www.dau.edu/cop/ot/Pages/Default.aspx